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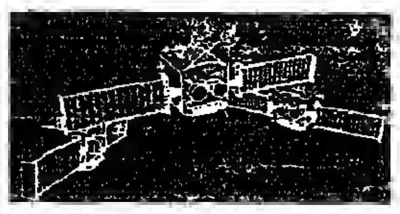

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World Business Newspaper   TUESDAY DECEMBER 12 1995

Europe consortium agrees interactive TV decoder deal

A group of leading German and French companies agreed on a standard for "set-top boxes" which decode television signals to allow telebanking, home learning and shopping, video on demand and other interactive TV services. Multimedia Betriebsgesellschaft, a consortium which inclndes Deutsche Telekom, Veba and Bertelsmann of Germany and the French media group Canal Plus, said the agreement was initially aimed at Germany, Europe's biggest cable and satellite television market. The deal ends months of secretive wrangling. Page 20

Vital week for US budget talks: The Clinton administration and the Republican-controlled Congress have begun wbat could he a decisive week in their protracted negotiations over bow to balance the US federal hudget over the next seven years. Page 6

Bristol-Myers plans $2.5bn cuts: Bristol-Myers Squihh, the US pharmaceuticals group, announced a further round of cost-cuts to bolster profit margins in the face of patent expiries due in the coming years. Page 24

Swedish paper group to invest in Canada: Stora, the Swedish pulp and paper group, is spending C$650m ($473m) on building a magazine paper plant in Canada in one of the biggest investments by a European company in the North American forestry sector. Page 22

HSBC shakes up insurance side: The Hongkong and Shanghai Banking Corp plans to reorganise its insurance activities in the Asia-Pacific region. Page 26

Planned liability law may protect firms: Lawyers, architects, surveyors, merchant bankers and doctors in partnerships will be able to take advantage of a new UK law designed to protect the personal assets of accountants from litigation. Page 14

Austrian leader heads for re-election: Franz Vranitzky appears headed for another term as Austria's chancellor after his Social Democratic party wideoed its lead in the final opinion poll to be published before Sunday's elections. Page 20; Survey, Separate section

Madrid car bomb kills six: A car bomb hlamed by officials oo Basque ETA separatists ripped through a busy Madrid district killing six people and injuring a dozeo just four days before European Union leaders gather in the Spanish capital. Page 2

SMC head favours several buyers: The oewly-appointed bead of Société Marseillaise de Crédit, the regional Freoch banking group, favours a sell-off to more than ooe investor in the bank's fortbcoming privatisation. Page 21

BTG loss less than expected: BTG, the former British Technology Group which floated in July, reported maiden interim pre-tax losses of £2.1m ($3.3m) compared with profits of £290,000. The figure was better than the £2.5m forecast at flotation. Page 29

Usinor shares fall 7% on warning: Usinor Sacilor, tbe French steel producer privatised this year, saw its shares fall 7 per cent as it warned that second-half net profits would be less than the FFr2.4bn ($482m) recorded in the first six months of the year. Page 21; Lex, Page 20

S Korea to open up telecoms sector: South Korea said it will opeo its telecoms service industry to foreigu ownership in 1998, although stakes beld by overseas investors will be limited to minority shareholdings of up to 33 per cent. Page 12

Britain to expel Libyan diplomat: Britain ordered the expulsion of a seninr Libyan diplomat in London, accusing him of spying and intimidating dissidents. Page 9

French network to bid for UK rail: SNCF, the French state-owned railway company, could acquire a stake in Britain's privatised rail freight network. Page 14

Tokyo defends foreign goods record: The Japanese government defended its record in government procurement of foreign products. Page 12

Famine could strike N Korea: South Korea's Presideot Kim Young-sam warned that rapidly deteriorating conditions in North Korea, particularly a food shortage, could soon lead to a conflict. Page 8

Prince Charles sells sports car for charity: A private British collector paid £111,500 ($170,000) for a 1987 Vantage-Volant Aston Martin sports car used by Prince Charles which be donated for sale at the auctioneers Sothehy's to benefit charity.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,183.96	(+27.10)
NASDAQ Composite	1,063.68	(+1.27)
Europe and Far East		
CAC40	1,849.59	(-6.74)
DAX	2,272.82	(+5.32)
FT-SE 100	3,652.1	(+22.1)
Nikkei	19,226.78	(-60.19)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.479%
Long Bond	111$\frac{13}{32}$
Yield	6.039%

OTHER RATES

UK: 3-mo Interbank	6½%	(same)
UK: 10 yr Gilt	107$\frac{3}{32}$	(107$\frac{11}{32}$)
France: 10 yr OAT	105.5	(106.73)
Germany: 10 yr Bund	102.86	(103.12)
Japan: 10 yr JGB	114.265	(114.235)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.72	(17.70)

GOLD

New York Comex		
Feb	$390.0	(391.4)
London:		
close	$389.5	(389.7)

DOLLAR

New York: lunchtime		
£	1.5345	
DM	1.44475	
FFr	4.9847	
SFr	1.16915	
Y	101.05	
London:		
£	1.5337	(1.5274)
DM	1.4416	(1.448)
FFr	4.9689	(4.9819)
SFr	1.1682	(1.1715)
Y	101.185	(101.25)

STERLING

DM	2.2149	(2.2116)
Tokyo close:	Y 101.065	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.80
Estonia	Ekr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Esc230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

French PM freezes rail reforms ■ Unions plan more protests today

Juppé offer fails to end strikes

By David Buchan in Paris

Mr Alain Juppé, tbe Freoch prime minister, yesterday made new concessions to union demands hut failed in tense meetings with labour leaders to end the crippling 18-day strike against his proposed welfare reforms.

Leaders of the unions, which will bold more protest marches today, emerged defiant about tbeir demands and pessimistic about an early breakthrough.

Mr Juppé announced he had put a "freeze" on his earlier plan to streamline the SNCF rail network over the next five years. Rail unions had objected to the plan's demands for productivity improvements. Mr Juppé said "negotiations will start within the company on a future plan" designed to map out SNCF's operations over the 1996-2000 period.

Mr Juppé said be wanted further talks in an attempt to resolve the welfare dispute. He said he had asked Mr Jacques Barrot, the labour minister, to begin organising a meeting with unions next week, but did not make clear wbether the welfare reforms would be open to talks.

Mr Louis Viannet, president of the CGT union federation, said be saw "no way out of the crisis for tbe moment". Mr Bernard Thibault, head of the CGT rail section which bas spearheaded the 18-day rail strike, complained that Mr Juppé was still "ambiguous" about reform of public sector pensions despite his promise on Sunday to leave railwaymen's retirement schemes untouched.

Mr Marc Blondel, president of Force Ouvrière, said he urged Mr Juppé to launch "global negotiations", involving business as well as union organisations and embracing the issues of wages and unemployment as well as welfare reform.

But Mr Jean Gandois, president of the Patronat employers' federation, said his organisation was not prepared to attend such an economic summit with no precise or prepared agenda.

Signs of a government hacktrack on the reforms depressed the financial markets, with the Paris Bourse's CAC-40 index eoding the day 0.36 per cent down at 1,849.59 points and the franc falling to end trading in Paris at FFr3.45 to the D-mark compared with FFr3.44 at Friday's close.

The franc suffered as a result of the concessions which Mr Juppé announced on television on Sunday night, hut some foreign exchange nperators said the franc's losses were tempered hy a realisation that while Mr Juppé had made concessions to the rail unions, he had not retreated from his key welfare reforms.

Opposition Socialists and their leftwing allies, who took five seats off the government parties in Sunday's by-elections to the National Assembly, reacted furiously yesterday to Mr Juppé's announcement that he would this week push through enabling legislation for some of his welfare reforms by using a guillotine procedure cutting off further debate. Communist deputies complained of Mr Juppé's "diktat".

Oppositioo parties have tabled a censure motion to try to thwart the welfare legislation. But Mr Juppé will be able to use his very safe parliamentary majority to approve the legislation. This will enable the government to pass at

Continued on Page 20
Juppé's hudget, Page 3; Costly way to change, Page 18; French to bid for rail group, Page 14

Samsung claims first for new chip prototype

By John Burton in Seoul, Louise Kehoo in San Francisco and Paul Taylor in London

Samsung Electronics of South Korea yesterday said it had become the first company in the world to complete the prototype circuit design for the newest generation of computer memory chip.

The 1-gigabit synchronnus dynamic random access memory (Dram) chip is expected to become a key component in computers and multimedia systems because of its immense storage capacity – about sixteen times that of the highest capacity Drams available today.

A single chip 1Gb Dram, about the size of a thumbnail, will be able to store up to 15 minutes of moving pictures, 16 hours of sonnd, 400 still pictures, 8,000 newspaper pages or approximately 160 books.

Some Japanese cumpanies had already developed elements of the new generation of memury chips and in October four of the world's leading semiconductor mannfactnrers, Internatiooal Business Machines and Motorola of the US, Siemens of Germany and Japan's Toshiba, announced plans jointly to develop a 1Gb Dram chip. But Samsung said it was the first to develop a complete prototype.

Soch cbips are expected to contrihnte to making computers and other electronic products smaller and faster.

Eacb circuit element withio the chip measures oo more than 0.16-microo, or one 640tb of tbe thickness of a human hair. This is a 36 per cent increase iu density over tbe most advaoced chips in commercial production today.

Samsung aims to prodnce engioeering samples of the 1Gh cbip by 1997, but this will ooly be the first step. Tecbnical challenges remain in the development of the processes needed to mannfacture the chips in volume, so it is not yet clear which company will be first to market the chips.

Details of the chip design will be revealed tomorrow at the

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Agnelli chooses 72-year-old as next Fiat boss

By Robert Graham in Rome and Andrew Hill in Milan

Mr Giovanni Agnelli yesterday caused a surprise by announcing he would be succeeded as chairman of Fiat by Mr Cesare Romiti, the 72-year-old chief executive of the Turin-based automotive group.

The news comes less than a week after Turin magistrates requested Mr Romiti be sent for trial on three charges of alleged corruption related to the operations of Fiat subsidiaries.

Until now, those familiar with Fiat had believed that Mr Romiti would retire at the same time as his chairman, who is 74, to make way for a new generation to run Italy's largest private industrial group.

However, Mr Agnelli made it clear yesterday be regarded Mr Romiti's presence esseotial to preside over the "interregnum" as the next generatioo of managers and family members prepared to assume cootrol.

The chairman also said he himself would be stepping down within the coming months.

Following this announcement, Mr Agnelli's departure was widely expected to coincide with Fiat's annual meeting in June 1996.

The impending elevation of Mr Romiti follows a series of high profile public appearances in which be has offered his prescriptions to resolve the country's political and economic prohlems. This prompted press speculation that Mr Romiti was preparing to leave Fiat to enter politics.

Mr Romiti, wbo joined Fiat in 1974, has been chief executive since 1976.

It was originally thought be would leave with Mr Agnelli in June last year and allow the latter's younger brother, Mr Umberto Agnelli, to take over. But the dramatic slump in Fiat's fortunes in 1993 obliged Mr Agnelli to change his mind.

In agreement with new non-family shareholders that included Deutsche Bank and Alcatel Alsthom, Mr Umberto Agnelli was exclnded from the succession and the existing duo were kept on at the top with increased authority in the hands of Mr Romiti.

Mr Agnelli indicated then that he wnuld be needed for at least another two years at the helm – Fiat's rules lay down compulsory retirement at 75.

Meanwhile, the line of eventual succession was pointed towards Umberto's eldest soo, Mr Giovanni Alberto Agnelli, now aged 31 and on the Fiat board.

Two elements appear to have prompted Mr Agnelli to announce his departure. Fiat's fortunes, he feels, have changed and the group faces a period of solid growth with profits this

Continned on Page 20

The UN and the Bosnian government intensified their efforts to reassure Serbs living in Sarajevo suburbs, as France said it was working intensively with its allies and Belgrade to secure the release of two captured pilots. An aide to French president Jacques Chirac said earlier French threats of punitive action against the Serbs had been suspended. The US administration said it was "very hopeful" that the pilots would be free soon. Sarajevo's residents (above) demonstrated in support of the Moslem-led government's insistence on a united capital. Bosnian Serb leaders will hold a referendum today on the peace accord. Photo: Reuter

Clinton moves to restart Mideast peace negotiations

By Patti Waldmeir in Washington and David Gardner in London

US president Bill Clinton yesterday moved to hreak the deadlock in attempts by Israel and Syria to reach a peace settlement, announcing he would send Mr Warren Christopher, the secretary of state, to the Middle East later this week.

Mr Clinton agreed to the new peace sbuttle after a meeting with Mr Shimon Peres, tha new Israeli prime minister, at the White House, at which Mr Peres is understood to have outlined a oew strategy for the stalled talks.

"We agree that to close the circle of peace it will take more intensive and more practical negotiations," Mr Clinton said. "Each side will need to make a greater effort to take into account the other's concerns."

Mr Peres, in a joint press conference with Mr Clinton, said that Israel wanted to go "full speed ahead" to resolve the two coontries' differences.

The US president earlier spoke by telephone to Syrian president Hafez al-Assad, and said that the atmosphere for a settlement had improved.

"President Assad told me he was committed to do his best to move the peace process forward," Mr Clinton said, and added his firm insistence that the security of Israel would remain a main pillar of US defence policy.

In June, Syria suspended talks with Israel in Washington over security arrangaments on tbe Golan Heights in the event of an Israeli withdrawal.

Mr Peres yesterday refused to be drawn on the question of whetber Israel is prepared to make a commitment to surrender all of the Golan Heights if its security concerns are met – an undertaking Damascus had demanded to restart talks.

The June talks were solely about security arrangements, and foundered because of Israeli insistence on keeping an early-warning station on the Golan after an unspecified withdrawal.

Suggestions nf a compromise wherehy US or international troops could man a monitoring station on the Heights were dismissed out of hand by Syria last month. "There will be no foreign presence on Syrian soil," Mr Ahdel-Halim Khaddam, Syria's vice-presideot, said, adding "oeither American, nor Russian, oor Chinese nor anything."

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NEWS: EUROPE

Schüssel tries to shake up Austria's politics

The conservative politician who forced the country into its second election in 14 months talks to **Ian Rodger** in Vienna

Wolfgang Schüssel surprised himself and just about everyone else in Austria in October by breaking up the country's coalition government and forcing a second general election in 14 months.

A career politician, Mr Schüssel describes himself as Consensus Man with a feel for compromise solutions. He claims that be could see the makings of a compromise in the tortuous negotiations between his conservative People's party and the Social Democratic party in early autumn over reducing the 1996 budget deficit. But then the Social Democrats, under pressure from trade unions and left-wingers, stiffened their opposition to cuts in social programmes and he had no choice but to walk out.

"We need a decision [by voters] so that the direction of budget and financial policy will be clear. Everybody knows what we have to do; the criteria for economic and monetary union are fixed. But it was impossible under the old government," Mr Schüssel said in an interview.

Social Democrat leaders agree that the budget deficit problem is "serious", as Mr Franz Vranitzky, the chancellor, puts it. But they say that Mr Schüssel walked out of the talks because of the rise in his party's popularity since he became leader in April. There was just a chance that the People's party could overtake the Social Democrats and wrest control of the government from them for the first time in 25 years.

Whatever the truth, with less than a week to go until the election on Sunday the two parties are still running fairly close to each other.

Mr Schüssel has conducted an effective campaign, even facing down the wily Jörg Haider, the Freedom party's populist leader, in a television debate.

By contrast, the Social Democrats have been dull, retreating to a purely defensive stance. The campaign's main issue – prudent public sector budgeting – is Mr Schüssel's, and he even has the two largest national newspapers behind him.

"The Social Democrats have ruled for 25 years and the people are used to it," Mr Schüssel said. "There has been a socialist trend in all the parties, and what I did is not the normal Austrian way. I do not speak softly about possible new gifts or bonbons. "We [the People's party] also have a problem to explain why we were partners with the Social Democrats for nine years. We are blamed, too.

"I want more flexibility, more reform. I want to open parliament, to get out of the corset, to find free majorities. That is not the normal Austrian way. Ever since Empress Maria-Theresia, reforms have come from above. I want to try a bottom-up movement.

"People need time to think it over, to decide whether they can trust this man. Is he chancellor material?"

His big strategic gamble has been to refuse to rule out an association of some kind with the Freedom party, giving opponents an opportunity to portray him as unreliable.

He reasons that Freedom attracts voters who are fed up with the existing cosy coalition and respond to Mr Haider's withering criticisms of its abuses of power. But opinion polls consistently show that about half of Freedom party voters would not want the mercurial Mr Haider himself to be chancellor.

"I want to give these people an attractive offer, to give them confidence that I really want to change something," said Mr Schüssel. "Besides, it is better to offer something positive than to fight him."

He counters opponents' criticism by saying that there is no chance of Mr Haider himself holding a ministerial post because there would never be a parliamentary majority to ratify it.

Apart from a judicious trimming of social spending programmes, the main planks in Mr Schüssel's platform are closer security ties with other western European countries and more liberalisation and privatisation.

However, he champions a domestic solution for the long-running dispute over the completion of the privatisation of Creditanstalt-Bankverein, the country's second-largest bank. This is in direct opposition to the plan put forward by the previous government to offer the state's 70 per cent voting stake to the highest international bidder. That offer had to be abandoned when the government collapsed in October.

Mr Schüssel said be wanted to see "an Austrian interest" maintained in a few important sectors, such as electricity, gas, oil and banking.

In the case of Creditanstalt, he was attracted to an offer made by a consortium of Austrian, German and Italian groups partly because it offered the opportunity to bring about much needed structural reform in the Austrian banking sector.

Mr Wolfgang Schüssel (right) walked out of budget negotiations in the autumn with the Social Democrats of Chancellor Franz Vranitzky (left) *Reuter/Bernhard Holzner*

First Austrian, or Erste Oesterreichische Spar-Casse Bank, is a member of that consortium and is committed to taking a 7 per cent stake in Creditanstalt. "It would be a perfect co-operation. Creditanstalt is strong in commercial banking and internationally, especially in central and eastern European countries, while Erste has roots in Vienna and is strong in retail banking," Mr Schüssel said.

He pointed out that the consortium proposed buying only about half of the government's stake, and to underwrite a secondary issue of the rest in the stock market. That meant that the majority of Creditanstalt shares would float freely among international investors.

The idea of a Creditanstalt-First Austrian alliance has been discussed increasingly in Vienna banking circles since First Austrian joined the bidding consortium led by the Generali insurance group of Trieste last year.

But a full merger of the two might be difficult for the proud Creditanstalt to accept. It is by far the larger bank, with more than Sch600bn (£49bn) in total assets compared with First Austrian's Sch236bn. But First Austrian is 100 per cent owned by a Vienna foundation, which would probably emerge as the combined group's largest shareholder.

Mr Schüssel seems unconcerned about the likelihood of more stress and strife in Austria's public life after next Sunday's election.

"My predecessor used to complain that Austrians have a tendency to make compromises even before conflicts emerge. I think we are moving in a positive direction, towards European normality, with normal conflicts."

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Madrid car bomb blamed on Eta

By David White in Madrid

Basque separatists brought their intermittent terror campaign back to the streets of Madrid yesterday with a car bomb attack in which six people died and about 20 were injured, several seriously.

The bomb, which went off just before 3pm in a busy area in the south-east of the capital, destroyed a van belonging to the Spanish navy. All the dead were reported to be civilian staff working for the navy.

It was the bloodiest terrorist attack in Spain for more than two years and only days before European Union heads of state and government were due to gather in Madrid for a summit starting on Friday.

Interior ministry officials said "all signs" indicated that the attack was the work of Eta, the illegal Basque independence organisation. It followed two earlier car bombs in Madrid this year, including a failed assassination attempt in April on Mr José María Aznar, leader of the conservative opposition Popular party, who is tipped to become prime minister next year.

Yesterday's attack brings to 13 the number of deaths attributed to Eta this year. The attack appears to confirm that Eta has been able to maintain an operating base in Madrid as well as in parts of the Basque region.

Following a series of arrests on both the French and Spanish sides of the border, Eta is believed to have been reduced to a few few dozen hard-core terrorists and to be concentrating its efforts on a limited number of attacks, selected for their spectacular effect.

It is feared the organisation may build up its campaign around the time of the general election scheduled for March in an attempt to bring pressure against a new government. The aim would be either to force negotiations on a settlement or to provoke a heavy-handed crackdown, which could have the effect of reinforcing support for Eta within the Basque region.

Winter poll campaign leaves most Turks cold

By John Barham in Ankara

It is hard to tell that Turkey is less than two weeks from a crucial election. The streets are devoid of banners, posters, campaign jingles and convoys of cars decorated with party colours.

Bitter winter weather does damp enthusiasm and the growth of television is reducing the importance of rallies, but there is no mistaking the country's mood of near total indifference to the December 24 poll.

Attempts by Mrs Tansu Çiller, the prime minister, to whip up enthusiasm at election rallies have fallen flat. Last week in Diyarbakir, regional capital of the mainly Kurdish southeast, she faced a small, bored crowd.

"I came to ask you for your support," she said. "I take my strength from you! Trust me!" But only a small group of flag-waving supporters showed any reaction. One onlooker who refused to give his name said: "I just came to watch. I have nothing else to do. I am unemployed." He said he would vote for Hadep, a party campaigning for Kurdish rights.

Fighting between the guerrillas of the Kurdistan Workers party (PKK) and government forces has raged for 11 years, causing some 20,000 deaths and forcing millions of people from their homes. So it is hardly surprising that Mrs Çiller should face a cold reception in Diyarbakir.

But she has confronted equally sullen crowds at other venues. She kicked off her campaign in Erzerum, the city where Kemal Atatürk began his struggle to create a modern republic. Now Erzerum is a stronghold of the Islamic fundamentalist Refah party and Mrs Çiller attracted a crowd of only 3,000. A rally in the southern city of Antalya, where left-wing parties are strong, also flopped.

Opinion polls indicate her conservative True Path party is trailing Refah, which has about 20-22 per cent of the vote, and the opposition conservative Motherland party. Mainstream parties will probably form a coalition to shut Refah out of power if it wins, but its advance still represents a significant challenge to one of the Moslem world's few secular democracies.

Voters blame Mrs Çiller for heavy inflation, falling living standards and widespread corruption, but it is too early to write her off. An effective campaigner, she transmits vitality and warmth, and her blonde good looks contrast starkly with her dour, male opponents. Mr Mesut Yilmaz, the Motherland party's uncharismatic leader, is a dull speaker.

Outside the southeast, Mrs Çiller's ferocious opposition to Kurdish separatism is a powerful election weapon, and voters see her as a symbol of modernisation and progress. Tomorrow, the European parliament is expected to ratify a customs union between the European Union and Turkey. Party propaganda already portrays her as "the woman who took Turkey into Europe".

هكذا من الأصل

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Thyssen loses top executive

Mr Hans Jakob Zimmermann, a leading executive at Thyssen, the German steel and engineering conglomerate, has been forced to resign in the latest of a series of scandals involving senior German executives.

Mr Zimmermann, who was expected to become chief executive of Thyssen's biggest division early next year, resigned last week following an anonymous letter to Mr Heinz Kriwet, Thyssen's chief executive. It emerged he had used company services to rebuild his home and had received cut-price services from Hochtief, the German construction group which earlier this year was caught up in a similar scandal at Opel, the auto group.

The public prosecutor in Düsseldorf is considering bringing fraud charges against Mr Zimmermann. Executives at companies including Opel, Mannesmann and most recently Giesecke & Devrient, the company which prints Germany's banknotes, have recently been caught up in scandals.

According to a report in the news magazine, Der Spiegel, Hochtief rebuilt Mr Zimmermann's villa in Essen for DM500,000 ($345,000) when the job should have cost DM782,000. A number of companies which provided services for the villa were linked to Thyssen Schulte, one of tha companies Mr Zimmermann was responsible for. Hochtief yesterday denied all allegations of wrongdoing. *Michael Lindemann, Bonn*

Papandreou suffers relapse

Mr Andreas Papandreou, Greece's prime minister, was reported to be in critical condition yesterday with a new infection. A spokesman for the Onasseion Cardiac Hospital, where he has been in intensive care for three weeks, said the premier appeared to be suffering from a "hospital infection".

Mr Papandreon's condition had appeared to be improving. He was no longer on a respirator and had been able to talk to his wife, Dimitra, for the first time yesterday. The improvement had encouraged officials of the governing Pan-Hellenic Socialist Movement to speculate that he would be out of hospital by Christmas and would be able to resume his duties. However, Pasok now faces deepening divisions between those who want to replace Mr Papandreou immediately and party stalwarts who are determined to wait for him to resign. *Kerin Hope, Athens*

Turkish army purges Islamists

Turkey's general staff yesterday dismissed 50 servicemen suspected of involvement in radical Islamic politics. According to press reports, the general staff will purge another 2,000 soldiers after general elections on December 24.

Radical Islamists are frequently accused of attempting to penetrate the armed forces and the generals have staged purges several times before.

Analysts said yesterday's removal of 18 officers and 32 NCOs was intended as a warning to Refah, the radical Islamic party leading in opinion polls, that the army would tolerate no deviation from Turkey's secular and pro-western traditions.

However, observers dismissed fears that the army, which has carried out three coups d'état in recent times, would intervene to prevent Refah coming to power. Refah, which seeks to establish an Islamic state, is expected to take about 20-22 per cent of the vote, more than any other party. This could give it about a third of the seats in parliament, but mainstream parties are expected to form a coalition to keep Refah from taking power. *John Barham, Ankara*

Dutch PM optimistic on Emu

Mr Wim Kok, the Dutch prime minister, said yesterday he was optimistic the Netherlands would be able to bring down its public debt; raising the country's chances of joining a single European currency in 1999.

The Netherlands already meets many of the criteria for European monetary union, such as low inflation and interest rates. But its public debt, projected to stand at 78.4 per cent of gross domestic product in 1996, down just 0.3 percentage points from 1995, is well above the Emu target of 60 per cent. But the country would be able to qualify if it showed it was making progress on cutting debt. "Nobody in the Netherlands believes that you can achieve a rednction to 60 per cent in a year or two. But that is not even necessary [for Emu participation]," Mr Kok said. *Ronald van de Krol, Amsterdam*

Hungary debates media reform

Hungary's parliament last night began debate on a bill designed to liberalise and provide a new regulatory framework for the broadcast media.

Under the draft law, the state's second television channel and a presently unused former Soviet channel, as well as Radio Danubius, a popular radio station, will be offered to private investors on a concession basis for 10 years.

A number of radio frequencies will also be offered to the private sector. The state, however, intends to retain control of MTV1, the main national television channel, and Duna TV, a satellite channel. *Virginia Marsh, Budapest*

Car sales up 12.5% in Italy

Italian new car registrations rose 12.5 per cent in November from the same month of 1994, reversing a trend of declines, the Transport Ministry said yesterday. Some 149,600 new cars were registered, against 132,978 a year ago. The rise, after eight months of falling registrations, followed a year-on-year decline of 8.9 per cent in October. The ministry said registrations were up 1.3 per cent in the first 11 months compared with the same period last year.

Among foreign producers, Volkswagen was the biggest seller in November. Its market share rose to 7.82 per cent from 5.1 per cent in November 1994. Ford came next, although its market share fell to 6.42 per cent from 8.96 per cent previously. *AP-DJ, Rome*

■ France's consumer prices rose 0.2 per cent in November compared with October, bringing year-on-year inflation to 2 per cent, according to preliminary estimates, the government said.

■ Belgium's current account surplus rose to BFr229bn ($7.7bn) in tha first half from BFr169bn a year earlier, the central bank said.

■ Norway's consumer price index fell 0.1 per cent to November 15 from October 15, bringing year-on-year inflation to 2.1 per cent, the country's state statistics agency said.

Juppé's budget arithmetic still on track

David Buchan analyses the French premier's selective appeasement

Alain Juppé "has not yet eaten his hat, but be has eaten the rim of it", wrote Mr Serge July, editor of the Libération newspaper, after France's prime minister made concessions to appease the strikers against his welfare reforms.

The changes, on public sector pensions and on reforming the SNCF railway, are so far relatively minor, which is partly why he has made them. They do not in themselves greatly increase the arithmetical challenge of bringing France's pnblic deficits from more than 5 per cent of national output this year to 3 per cent by 1997, which would allow the country to be in at the start of European monetary union.

But the unions may yet succeed – to pursue Mr July's metaphor – in ramming the rest of Mr Juppé's welfare reforms down his throat. Most union leaders came out of talks with the prime minister yesterday distinctly unmollified, and refused to call off today's strike action.

Mr Juppé's new strategy of selective appeasement is to ditch two aspects of public sector reform which provoked the most anger among strikers but which were financially marginal to his welfare reform plan, announced last month.

Following Mr Juppé's promise that SNCF rail and Paris's RATP metro/bus drivers can continue to draw full pensions at 50 and his "suspension" of the Le Vert commission's study into lengthening pension contributions for state employees in general, reform of public pensions looks most unlikely.

Bnt this reform never entered Mr Juppé's calculations of how he was going to slice the overall social security deficit from FFr60bn ($12bn) this year to FFr17bn next year. For this, he was only banking on the 1993 reform – already under way – of the state pension fund for private employees.

Mr Juppé still plans to push his reform of the three legs – health insurance, family allowances and pensions – of the social security system's "general regime" through parliament. He seemed undeterred by the loss of five National Assembly seats, including a Rhône valley constituency held by the right since 1945, in by-elections on Sunday. He is now to use a parliamentary "guillotine" procedure – bringing an abrupt end to debate – in order to pass enabling legislation this week.

But this year's social security deficit, though big and getting bigger, is still less than a fifth of this year's FFr322bn budget deficit. It is thus puzzling that Mr Juppé should have put so much stress on wiping out the social security deficit, even to the extent of planning an FFr11bn surplus in 1997.

He may have been goaded by criticism that his first six months of power produced no structural reforms. He may also have wanted to capitalise on the public's general expectation that social security accounts should, in principle, balance, which no one expects of budgets. Next year's budget deficit is set at FFr287.8bn, but the economic damage done by the strikes will make that target all the harder to hit.

One last concession made by Mr Juppé on Sunday night may come back to haunt him. To calm union fears of rampant privatisation, the government is to propose a constitutional amendment that would guarantee "equality of access and quality" of public services.

The general idea is to entrench opposition to European deregulation of France's public services. But the only specific threat which the government wants to ward off is deregulation of Electricité de France; even with the sister company of Gaz de France, the government seems open to some partial privatisation. In sectors where he wants to see liberalisation, however, Mr Juppé may find it awkward to have unions invoking "equality of access and quality" to bolster their opposition to his plans.

Retail big-hitters trade blows in 'cultural' clash

By Andrew Jack in Paris

One of France's top book and record retailers yesterday started legal action against a leading rival which it claims is unfairly copying its pioneering approach to sales.

FNAC, part of the large Pinault Printemps Redoute retail group, confirmed it was suing Leclerc, a retail chain which has been placing increasing emphasis on new ways of selling books and records.

FNAC is trying to defend the idea of "cultural spaces" which it pioneered more than 15 years ago as a way of luring prospective purchasers into its stores to buy goods.

All of its 45 ontlets in France and some in other countries have a similar approach: a space at the entrance to the shops and normally an auditorium where it holds exhibitions, concerts and discussions linked to its goods.

It argues that the idea is linked more broadly to a style of presentation of "cultural products" on sale in its stores, inclnding signs, colours and arrangement of shelves.

However, Leclerc, which is now marketing itself as the second largest bookseller in France after FNAC, has also started introducing cultural areas in its stores, and says it is planning to create 80 of them over the next five years.

FNAC charges in its action, which is dne to be heard in the French courts on December 20, that Leclerc is simply copying, in a move that is detrimental to the spirit of healthy competition.

Mr Michel-Edouard Leclerc, co-chairman of Leclerc, dismissed the action, calling it "completely stupid and.... a defensive reaction of a company which senses its monopoly being threatened".

He said that what FNAC fonnd really frustrating was that Leclerc was changing from becoming simply book merchants into "real professional book-sellers".

Bnt he stressed that his group's approach was different, using colours which were not the same as those of FNAC and selling in smaller stores in suburbs and smaller towns "deserted by FNAC". He said: "FNAC forgets that it is not an institution but a company which must accept competition."

Leclerc says it now derives FFr1.2bn (£158m) in annual sales from books, CDs, records, videos and computers. FNAC says it has 23 per cent of the French market for records and 13 per cent for books – which account for nearly FFr2bn of its FFr9.5bn annual turnover.

NEWS: EUROPE

Last Soviet republic falls to democracy

Belarus finally elects its first parliament

By Matthew Kaminski in Moscow

Voters in Belarus have rejected President Alexander Lukashenko's call for one-man rule by electing the country's first post-Soviet parliament.

Election results released yesterday showed 59 more deputies were elected, joining 139 picked over the past six months to exceed by 24 the two-thirds of the 260-seat chamber needed for a quorum. The previous incapacitated assembly had left Belarus as the only former Soviet republic yet to elect a parliament after the fall of communism.

There is now likely to be a struggle for power between the president and the parliament.

A requirement for a 50 per cent turnout had invalidated the vote in many constituencies in the first two rounds of elections in May, leaving Belarus with only 119 MPs. Another 20 MPs emerged in the first round of the second elections last month.

Mr Lukashenko had threatened to impose direct presidential rule if the latest elections failed to deliver a parliament. His tight restrictions on campaigning, with limited election expenses and no access for candidates to national media, as well as open attacks on the democratic process, prompted strong criticism from western observers and united the political opposition.

"Democracy has been seriously scarred, and now it's time for the healing process to begin," said Mr Stanislau Shushkevich, the country's *first post-Soviet leader, forced* to resign in 1994, who won a seat on Sunday. "Given the monstrous conditions of the campaign, this was an amazing outcome and completely unexpected."

Mr Mecheslav Grib, who is speaker of the outgoing parliament and who has been leading opposition to Mr Lukashenko, described the outcome as "a victory for democracy".

"Thank you to our citizens for fulfilling their civic duty despite all the obstacles placed in their path," Mr Grib said.

Nationwide turnout in the country of 10m inhabitants was 52.4 per cent, after a surprisingly high 61 per cent for the first round on November 29, despite what a European Parliament observer called the president's ettempts to "sabotage" the election.

Analysts in Minsk, the Belarus capital, said growing frustration with Mr Lukashenko's

> 'The president has difficulty accepting compromise and a democratic opposition. His instincts are essentially Bolshevik'

increasingly dictatorial style, steadily falling living standards and broken political promises probably brought the country's usually quiescent and conservative voters out to the polls.

The communists and their Agrarian allies will be the biggest single grouping, with about 80 seats. About half the seats are held by independents, usually from the old communist establishment. Along with Mr Shushkevich, other moderately progressive candidates to win seats included Mr Stanislau Bohdankevich, the ex-*chairman of the country's cen*tral bank who last year led the fight against a campaign led by the president for a currency union with Russia.

More elections may be called next spring to fill the remaining seats.

Belarus's weak democratic institutions and traditions allowed Mr Lukashenko to rule by diktat, ignoring the country's highest court and cracking down on free trade unions.

Leading politicians in Minsk forecast that Mr Lukashenko would let parliament meet, but there were likely to be battles ahead over the three main questions facing Belarus – division of power between president and parliament and between the legislature and judiciary, economic reform and relations with Russia.

"The president is charismatic, a very powerful force who has difficulty accepting the idea of compromise and a democratic opposition," said a western diplomat in Minsk. "His political instincts are essentially Bolshevik."

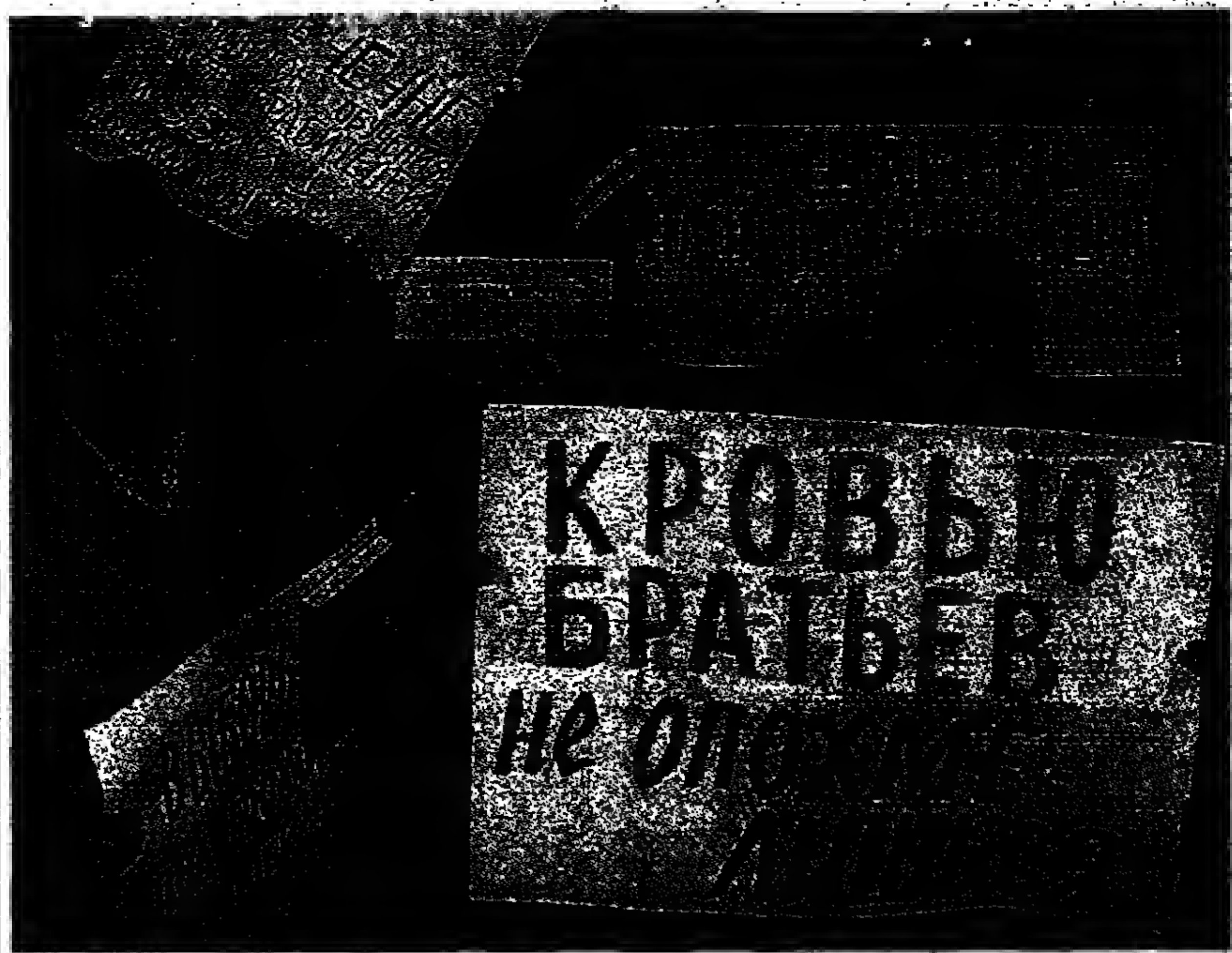
A mercurial collective farm boss, Mr Lukashenko wavers between strong economic co-operation to outright political union with Russia, under the guise of a super-Slavic state also incorporating Ukraine. His pro-Moscow stance, popular in a country with a weak national identity, is sometimes used to delay economic restructuring.

President Lukashenko put a brave face on the result. The presidential spokesman, Mr Vladimir Zametalin, said the president was "particularly happy about the election".

Some hope thet closer contacts with Russia could force Belarus to reform, but the country's neighbours are concerned that Minsk's reluctance to get its economy in order and strengthen its independence might destabilise the region – particularly if willingness to reunite with Moscow gives encouragement to nationalist-communist groups expected to do well in Russian elections.

Other prominent opponents *of President Lukashenko* to win seats in the latest voting were the former deputy prime minister, Mr Viktor Gonchar, and the former foreign minister, Mr Pyotr Kravchenko.

The Popular Front, which champions the Belarussian language and traditions against Russian influence, failed to elect a single member. Most of their hopefuls were running in Minsk where 23 districts remain unrepresented because of low turnout.



Demonstrators keeping a vigil in the centre of Moscow yesterday to mark the first anniversary of Russia's military intervention in the breakaway region of Chechnya. The placard (front right) reads: 'Brothers' blood cannot cure a hangover' Associated Press

Chechen shadow over Russian poll

By Chrystia Freeland in Moscow

Less than a week ahead of parliamentary elections, the Russian government was faced with an unwelcome reminder of one of its most discredited decisions as up to 10,000 demonstrators yesterday took to the streets of *Chechnya's* capital, Grozny, to demand a complete pull-out of Russian troops from the separatist region.

There was also a Chechen peace rally in the centre of Moscow. The protests, which marked the first anniversary of the Rus*sian invasion, are the most recent* indication that Moscow's attempt to legitimise its presence in breakaway Chechnya by holding local elections on Sunday is unlikely to succeed. They also provided additional ammunition for opposition politicians who are expected to benefit in Sunday's nationwide parliamentary elections from widespread public dissatisfaction with the present government.

Mr Alexander Lebed, the former general and charismatic leader of the Congress of Russian Communities, a newly formed nationalist party, expected to do well in the polls, yesterday insisted that elections cannot be held "while a war is going on". He also warned that "falsification of the results will be inevitable".

At the opposite end of the political spectrum, a group of Russia's leading human rights organisations yesterday released a public appeal to the Kremlin warning that a new round of fighting would be provoked unless the elections were cancelled in Chechnya.

"The firm intention of the federal executive to hold these elections means that the president and the government of Russia have *dropped* the idea of political talks in Chechnya," the human rights groups said. "The resumption of large-scale military activities will be the result."

But Mr Victor Chernomyrdin, the Russian prime minister and party leader of Our Home is Russia, the pro-government grouping contesting the election, maintained a brave face. In an interview with the CNN satellite news channel, Mr Chernomyrdin insisted that communists would not take control of the government after Sunday's vote and that there would be no change to the course of economic reforms he has charted. "Communists will probably take more seats than they have now, but there will be no victory," Mr Chernomyrdin said, according to a transcript obtained by Reuter. Asked if communists would reverse economic reforms he said "there will be no change".

However, Mr Chernomyrdin's ability to get out on the streets and swing the large numbers of undecided voters, whose eleventh-hour decisions are expected to be crucial, will be hampered by his planned trip to Paris at the end of this week to represent Russia at the Bosnian peace treaty signing ceremony.

Some Russian observers have questioned the decision by Mr Boris Yeltsin, the Russian president, to have Mr Chernomyrdin away from Moscow in the critical final days before the vote.

In addition to missing the winding up of the election campaign, some Russian observers have warned that by attending the Paris ceremony Mr Chernomyrdin risked being linked in voters' minds to an agreement which many Russians feel is a fundamental betrayal of their nation's security interests.

Ukraine's PM takes fight to hardliners

By Matthew Kaminski

Mr Evhen Marchuk, *the* Ukrainian prime minister, won a seat in Kiev's parliament on Sunday in a potential challenge to the chamber's communist leadership.

Only six other deputies were elected in Sunday's by-elections for 45 vacant seats in the 450-seat parliament. Run-offs will be held later this month in 11 constituencies where the turnout met the 50 per cent requirement but no candidate received an absolute majority.

Mr Anatoly Franchuk, the former prime minister of Crimea who was ousted last week by the autonomous republic's parliament, also won a seat along with his son, Igor.

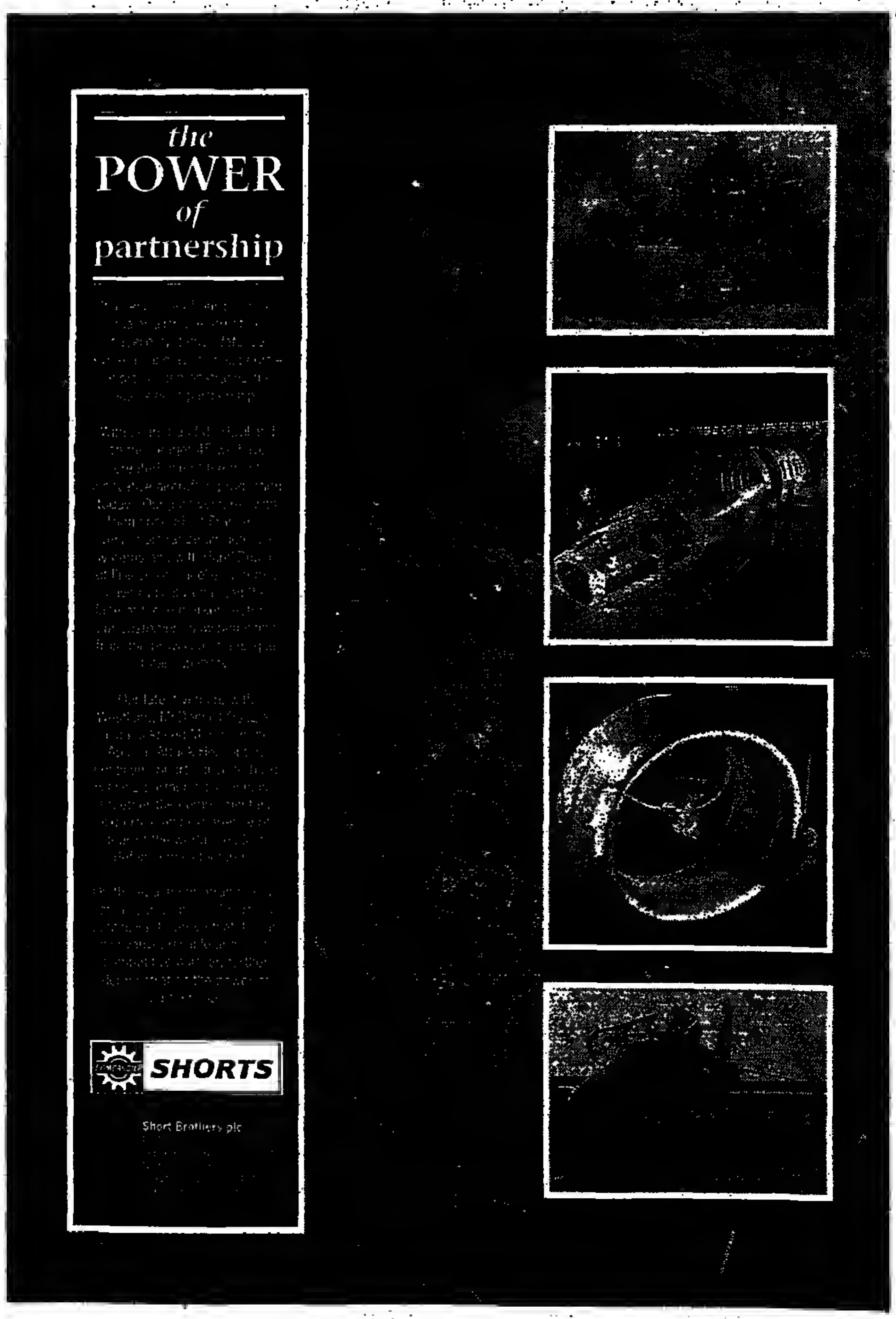
Mr Ivan Yemetz, the head of the Electoral Commission, said an average of 46 per cent of registered voters *cast ballots* on Sunday. The lowest turnout was in the capital, Kiev, and the highest was in Crimea.

Sunday's vote was the first held since last May when the authorities said the government was spending too much money on elections and called a six-month moratorium on balloting.

As reforms falter and feuding intensifies between parliament, president and government, prime minister Marchuk yesterday appeared to vent his frustration with President Leonid Kuchma, who had recently criticised him. "People are tired of indecision and vagueness over how jobs are divided up in government," Mr Marchuk said.

Analysts in Kiev believe Mr Marchuk might try to replace the hardline speaker of parliament, Mr Oleksandr Moroz, and leave the prime ministership – which would free him of responsibility for government failures and better place him to run for the presidency.

Ukraine's parliament presently exhibits a delicate balance between diverse political forces. There are about 180 communists and socialists and a roughly equal number of reformers, while the rest have no serious ties to either side.



US Congress faces second shutdown

By Jurek Martin, US Editor, in Washington

The Clinton administration and the Republican-controlled Congress yesterday began what could be a decisive week in their protracted negotiations over how to balance the US federal budget over the next seven years.

They are operating against a deadline of Friday midnight, when the temporary government funding bill is to expire. If no extension is agreed, government operations will be partly shut down for the second time in a month.

Today, the Congressional Budget Office is to issue its revised economic forecasts, showing continued sustainable growth with lower inflation. Yesterday, the White House welcomed the expected upward revisions which, it said, would be more in line with the administration's projections.

The importance of the CBO figures, which the Republican leaders insist are the principal yardstick in determining budget policy, could be to reduce the wide gap between the cuts in the growth of federal spending sought by Congress and by the administration.

The Republicans claim that President Bill Clinton's seven-year budget, outlined last week, still contained federal spending at least $400bn more than needed to achieve balance by 2002. But projected tax revenues and lower inflation-related payments to beneficiaries, based on an improved economic outlook, could create savings of about $100bn.

Congressman John Kasich, chairman of the House of Representatives budget committee, said the new CBO figures should make possible "some improvements" in the existing Republican plan. Congressman Dick Armey, House majority leader, predicted a revised Republican budget ready for consideration by tomorrow.

But neither side was ready to hold out hopes that an overall agreement was in sight. The rhetoric remained sharp. Vice-President Al Gore, for example, said in a television interview at the weekend that the Republicans, lacking the votes to force their budget through Congress, were prepared to threaten a second government shutdown so as to impose their "extremist agenda" on the country.

Senator Bob Dole, Senate majority leader, and Mr Newt Gingrich, the House Speaker, telephoned Mr Clinton on Sunday and urged him to take part in direct negotiations before leaving for the Bosnian peace signing ceremony in Paris tomorrow evening. Mr Gore rejected suggestions that the president stay home because of the budget confrontation.

Mr Clinton showed no signs of budging on several major points, most notably the future of the Medicaid programme for about 37m poor and disabled Americans.

The Republicans want to cut $163bn from forecast additional spending on Medicaid over the seven years to 2002 and turn it over to the states as block grants, while eliminating the federal guarantee (or "entitlement") that nobody be denied assistance.

In his weekend radio broadcast, the president said the "blunt reality" of the Republican plan would be "as many as 4m children" being denied needed medical care. The White House contrasted desirable reforms in welfare and Medicare for the aged with the destruction of Medicaid.

Cuba back on cruise circuit

Pascal Fletcher on the first liner visit after more than three decades

The gleaming white cruise liner that nosed into Havana Bay early on December 2 carried, along with 480 mostly European passengers, Cuba's hopes of returning to the Caribbean cruise circuit after an absence of more than three decades.

Hundreds of people lined the harbour entrance, straddled by two Spanish colonial forts, to watch the entry of the Bahamas-registered Costa Playa, owned by a Genoa-based Italian company, Costa Crociere.

For years, Havana's citizens had been more used to seeing Soviet warships, tankers and fishing vessels passing the landmark Morro lighthouse that guards the harbour entrance.

But now President Fidel Castro's government, seeking to maximise hard-currency earnings from a fast growing tourist industry, has decided to try to put Cuba back on the regional cruise line map, where it once occupied pride of place as "The Pearl of the Caribbean" in the 1950s.

This will not be easy. The US economic sanctions that eliminated Cuba as a holiday playground for US tourists after the 1959 revolution were tightened in the early 1990s, barring foreign ships that traded with Cuba from US ports for six months. Miami, just a few hours' steaming time away across the Florida Straits, is at present the cruise capital of the Caribbean.

The strategy of Italy's Costa Crociere, whose sister-company, Costa Cross Line, operates cruises out of Miami, is to start its Cuba cruises from the neighbouring Dominican Republic. "It's totally separate. The cruises going to Cuba won't touch US ports," said Nicola Costa, Costa Crociere's president. The company plans to run weekly cruises stopping at Santiago de Cuba, Jamaica's Montego Bay, Havana, Nipe Bay on Cuba's north-east coast, and returning to Puerto Plata in the Dominican Republic.

The arrival of the 500-berth Costa Playa, carrying mostly Italian and German tourists, inaugurated a new cruise terminal in Havana port. The terminal, originally built as a customs wharf in 1914, was renovated in eight months at a cost of just over $6m. It will be operated by a joint venture, Cubanco, formed between a Monte Carlo and Curacao-based company Milestone, controlled by Costa Crociere, and Cuba's transport ministry. There are plans to modernise several more harbour piers.

"It opens up a new area in our tourist industry – cruise tourism," Mr Carlos Lage, Cuba's vice-president, said. Cuban officials say the opening of the cruise terminal will also boost work, backed largely by Spanish financing, to renovate Havana's decaying Old City, which has churches and palaces that go back to early Spanish colonial times.

Since the collapse of Cuba's ties with the former Soviet bloc, the island's communist authorities have embraced tourism as a quick-return source of hard currency to keep the sugar-exporting, oil-importing Cuban economy afloat. Cuba at present has more than 30 tourism-related foreign investment deals, mostly with European and Canadian entrepreneurs.

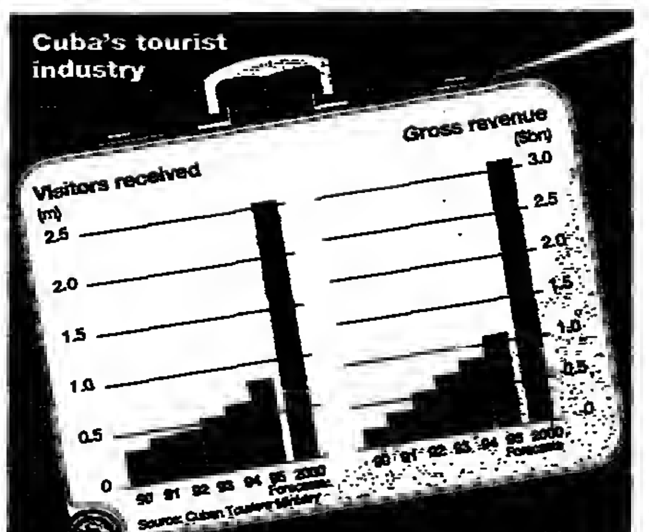
After a fall-off in bookings earlier this year caused by the so-called "rafters' crisis" exodus of refugees in summer 1994, tourist arrivals are recovering strongly. Some 740,000 foreign visitors are expected in Cuba in 1995, a 20 per cent increase over the previous year, although below original official forecasts. Cuban officials predict gross earnings from tourism will reach $1bn in 1995, up from $850m in 1994. They expect this income will continue to grow.

"Cuba is a mythical destination for Europeans," Costa Crociere's Mr Costa said. Cuban officials hope it will be for US tourists as well, once the US embargo is lifted. If anything, Cuba's identity as a forbidden destination for US tourists has increased its lure in American eyes.

"For 35 years, it's as though it's been hidden behind a curtain," said Mr Mike Steward of Adventure Tours USA. He was one of 12 US travel and leisure industry executives that visited Cuba in early December, hosted by a Cuban state tour operator, Havanatur. Havanatur had invited executives from leading US hotel chains, cruise lines, credit card companies, leisure companies, airlines and car rental companies to check out what the fledgling Cuban tourist industry has to offer.

US tourist industry representatives, citing the "tremendous curiosity" felt by Americans about Cuba, predict a rush of US tourists to the island once the US travel restrictions are eventually lifted. Cuban officials believe as many as 1.5m US tourists could visit the island in the 12 months after this happens.

Cuba is not counting on a quick end to the US economic embargo. But the government is working to put tourism infrastructure in place and raise quality and efficiency levels to prepare for the rush. It has also started taking steps to curb prostitution, one of the most visible by-products of the growing Cuban tourism industry.




Fidel Castro: Putting welcome mat out for tourists

Canada proposes tough new curbs on tobacco advertising

Canada has proposed tough curbs on tobacco promotion and advertising, including powers to regulate cigarette ingredients and tobacco smoke emissions, writes Bernard Simon in Toronto.

The measures are intended to replace provisions in the existing Tobacco Products Control Act, which were struck down by the Supreme Court last September on the grounds they violated tobacco companies' right to freedom of expression.

The court indicated that some restrictions on tobacco advertising might be permissible, but these would need to be clearer than the 1988 law. For instance, the court ruled that health warnings on cigarette packages require attribution.

Some of the proposals outlined yesterday by Ms Diane Marleau, health minister, appear to go further than the outlawed legislation. The 1988 Act, which was considered among the world's toughest anti-smoking laws, stated that "no person shall advertise any tobacco product offered for sale in Canada."

Ms Marleau said: "Comprehensive prohibitions and restrictions are the most effective means of achieving the government's public health objectives." She proposed a more flexible regulatory system to let the authorities clamp down quickly on changing market conditions and industry practices.

The measures, expected to be introduced in parliament next spring, also include stricter packaging and labelling requirements, restrictions on endorsements by athletes and other celebrities, and tighter curbs on sponsorships, which have become one of the tobacco industry's main promotional vehicles.

Anti-smoking groups welcomed Ms Marleau's announcement.

Argentine government pushes for more power to legislate

The new Argentine Congress, where the governing party commands a majority in both houses for the first time since the restoration of democracy in 1983, was inaugurated yesterday amid pressure from the government to pass much legislation by year-end, writes David Pilling in Buenos Aires.

Of prime concern to the Peronist administration, which has 132 of the 257 seats in the lower house and 38 out of 72 senators, is passage of the 1996 budget. Attached to it is a request to grant President Carlos Menem extraordinary powers that would enable him to cut expenditure and raise taxes without congressional consent.

Such powers are aimed principally at balancing the budget next year to meet targets agreed with the International Monetary Fund.

The government is also trying to push through measures to increase capital gains tax and duty on cigarettes, as well as seeking swift congressional approval for the privatisation of Yacyretá, a huge hydro-electric dam jointly owned with Paraguay.

In spite of its congressional majority, thanks to a strong performance last May in elections, the Peronist party is not likely to have things all its own way.

In the Senate, to which a new constitution has added a third member for each province, the Peronists have declined from 58 to 53 per cent. This will make it harder to pass legislation requiring a two-thirds majority.

Even in the lower house, where the Peronists increased their share of seats from 48 to 51 per cent, Mr Menem is not guaranteed support. Several powerful Peronist deputies, uneasy at the thrust of the president's neo-liberal policies, are likely to oppose a deepening of reform.

AMERICAN NEWS DIGEST

Venezuelans devalue bolívar

Venezuela announced a big devaluation of its currency yesterday, in an effort to restore confidence to its battered economy.

Mr Luis Raúl Matos Azócar, finance minister, announced the 41 per cent devaluation, from 170 bolivars to the US dollar to 290 to the dollar, after an extraordinary cabinet meeting at the presidential palace. The exchange rate had been frozen at 170 since the government imposed strict foreign exchange controls 19 months ago.

Mr Matos said the decision was part of a government economic programme that it hopes will help secure $3bn in financial support from the International Monetary Fund. The government has turned to the IMF for help to reverse a three-year trend of recession and high inflation.

The minister said the "emphasis is not only on economic growth, but also the creation of jobs and the elimination of poverty." He is leading the government team negotiating an agreement with the fund.

The exchange rate has been under pressure because inflation has continued unabated since controls were implemented, prices having risen by more than 80 per cent.

Reuter and AP, Caracas

Coup leader wins state

A retired army officer who led a bloody coup attempt against the Venezuelan government has been elected governor of the oil-rich western state of Zulia, ending a week of tension and violence over delayed election results.

Mr Francisco Arias Cárdenas, considered one of the masterminds of the coup attempt in February 1992, was pronounced on Sunday the winner of the elections, after a lengthy manual count of the votes. The poll took place on December 3.

Mr Arias, who represented the union-based Radical Cause (Causa R) party, gained control, by just 1,375 votes, of government offices he once stormed, election officials said.

His main opponent, Omar Barboza of the Democratic Action party, refused to recognise the result and said he would demand a recount.

Tension caused by the long delay in announcing a winner in the close race has set off violent street protests by party militants last week. Troops were called in to patrol commercial areas and guard government offices in the state capital Maracaibo.

Reuter, Caracas

Colombia chief decision near

The fate of Colombia's embattled President Ernesto Samper hung in the balance yesterday as a congressional committee met to decide whether he should face impeachment on drug corruption charges.

The 15-member Committee of Accusations of the House of Representatives has been investigating since August 1 charges that he personally approved the use of millions of dollars in drug money from the Cali cartel to win the presidential election last year.

Committee members gathered behind closed doors yesterday morning to decide whether to approve a final report sent to them last Wednesday by Mr Heyne Mogollón, the committee's chairman and chief investigator.

He has declined comment, but unsourced reports in the media last week said he had told fellow lawmakers there was not enough evidence to request a full congressional hearing into the charges against Mr Samper. If the committee votes to shelve its preliminary inquiry, it would effectively remove the threat of impeachment that has been hanging over Mr Samper's presidency since August.

Reuter, Bogotá

Winter weather hits US

The city of Buffalo in upstate New York dug itself out from about three feet of snow yesterday morning, as cold weather gripped much of the US.

Some 34 inches of snow fell on Buffalo on Sunday, shutting down the airport and cancelling more than 200 flights before it was reopened yesterday. Schools were closed and empty shopping malls looked like pre-Christmas ghost towns. More snow was falling yesterday with up to four more inches expected.

In the northwest of the US, wind and rain were strong and heavy, with snow on higher ground in Washington, Oregon and northern California, and freezing rain as far inland as Montana.

Very cold wind chills were forecast from the Great Lakes to the central Appalachian mountains and the northern East Coast region. Snow squalls could dump three to six more inches of snow east of lakes Erie and Ontario.

AP, Buffalo

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	-174.2	-163.0	0.7623	100.0
1986	231.0	-140.6	-153.4	0.9836	81.4
1987	220.2	-131.8	-144.1	1.1541	71.9
1988	272.5	-100.2	-107.4	1.1833	67.0
1989	330.2	-99.3	-94.3	1.1017	70.0
1990	309.0	-79.3	-72.7	1.2745	66.7
1991	340.5	-53.5	-8.0	1.2391	65.7
1992	345.9	-65.2	-47.5	1.2957	64.4
1993	397.3	-98.7	-85.4	1.1705	66.3
1994	432.3	-127.0	-127.6	1.1857	65.1
4th qtr.1994	110.8	-32.3	-35.1	1.2346	63.3
1st qtr.1995	111.4	-32.8	-30.9	1.2618	62.7
2nd qtr.1995	110.1	-33.1	-33.1	1.3175	59.0
3rd qtr.1995	113.3	-31.2		1.3020	81.0
November 1994	36.6	-11.5	n.a.	1.2369	63.0
December	38.8	-8.9	n.a.	1.2126	64.4
January 1995	36.8	-12.0	n.a.	1.2374	64.0
February	37.2	-10.7	n.a.	1.2455	63.3
March	37.4	-9.9	n.a.	1.3029	60.8
April	36.0	-11.1	n.a.	1.3279	58.7
May	37.6	-10.8	n.a.	1.3055	59.1
June	36.6	-11.2	n.a.	1.3192	59.0
July	35.3	-11.5	n.a.	1.3335	59.2
August	38.5	-9.7	n.a.	1.2954	81.3
September	39.6	-10.0	n.a.	1.2772	62.5
October				1.2977	51.8

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	228.2	73.5	64.5	180.50	100.0
1986	208.9	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.9	67.0	151.51	153.7
1989	245.5	70.8	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	247.9	83.3	62.4	166.44	143.7
1992	254.8	102.1	90.4	164.05	150.7
1993	300.0	120.8	111.1	130.31	181.0
1994	323.5	122.5	106.8	120.99	194.9
4th qtr.1994	81.1	26.5	24.4	122.03	187.6
1st qtr.1995	82.0	27.7	22.8	121.15	202.1
2nd qtr.1995	87.5	29.1	23.4	111.31	225.3
3rd qtr.1995	81.3	25.1	22.7	122.36	203.7
November 1994	27.5	10.2	8.6	121.21	199.1
December	27.9	9.9	8.8	121.44	196.8
January 1995	25.8	8.4	7.6	123.32	196.1
February	28.7	9.6	8.2	122.27	198.1
March	27.4	8.8	7.0	117.89	211.3
April	29.0	8.9	8.2	111.24	226.8
May	29.0	8.9	8.0	111.17	224.4
June	29.4	10.4	9.2	111.51	225.1
July	26.8	7.9	7.2	116.38	217.2
August	28.1	8.4	9.1	122.52	202.6
September	26.4	7.8	6.4	128.19	181.6
October	25.5	6.0	4.2	130.78	188.6

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.7	33.2	22.5	2.2260	100.0
1986	246.5	53.5	41.3	2.1279	108.8
1987	254.4	58.7	40.0	2.0710	114.9
1988	272.8	61.4	41.9	2.0739	114.1
1989	310.1	65.2	52.0	2.0681	113.3
1990	324.3	51.7	35.5	2.0537	118.1
1991	327.3	11.0	-15.8	2.0480	117.1
1992	330.5	16.8	-18.7	2.0187	120.6
1993	323.0	31.4	-13.4	1.9337	125.3
1994	358.8	37.9	-17.1	1.9198	125.6
4th qtr.1994	93.2	9.3	-4.4	1.9056	127.3
1st qtr.1995	94.4	11.9	-2.0	1.8645	131.1
2nd qtr.1995	99.1	12.6	-1.4	1.8402	133.4
3rd qtr.1995	99.1	12.7	-7.1	1.8624	131.7
November 1994	31.0	3.9	0.6	1.9044	127.3
December	31.5	2.0	-2.1	1.9064	127.3
January 1995	30.8	5.1	-0.4	1.8929	128.7
February	32.0	3.6	-1.5	1.8698	130.0
March	31.8	2.9	-0.1	1.8308	134.4
April	32.9	4.7	-0.9	1.8320	134.5
May	32.1	3.8	-0.1	1.8420	132.9
June	34.2	4.0	-0.5	1.8465	132.7
July	32.5	3.8	-3.0	1.8511	133.0
August	32.0	4.2	-2.8	1.8705	131.1
September	34.8	4.7	-1.5	1.8656	131.1
October				1.8357	132.9

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	-3.7	-0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	-4.6	-3.7	8.9265	102.7
1988	141.9	-4.7	-3.4	7.0354	100.9
1989	162.9	-6.3	-3.6	7.0169	99.8
1990	170.1	-7.2	-7.2	6.9202	103.8
1991	175.4	-4.2	-4.9	8.9643	102.1
1992	182.5	4.5	2.9	8.8420	105.4
1993	179.6	13.3	8.0	6.6281	109.1
1994	198.8	12.8	8.5	6.5659	110.1
4th qtr.1994	52.8	4.1	1.0	6.5426	111.0
1st qtr.1995	55.0	4.7	7.0	8.5115	112.2
2nd qtr.1995	55.8	4.6	4.2	6.4802	113.2
3rd qtr.1995	54.5	3.2		6.4363	114.0
November 1994	17.4	1.1	-0.4	6.5386	111.0
December	18.0	1.5	1.0	6.5612	110.7
January 1995	17.8	1.3	5.0	6.5464	111.4
February	18.8	1.6	1.2	6.5040	111.7
March	18.5	1.7	0.9	6.4841	113.3
April	18.5	1.8	1.6	8.4371	114.6
May	18.6	1.3	1.1	6.5218	112.2
June	16.7	1.5	1.5	6.4816	113.1
July	17.6	0.7	0.2	8.4424	114.3
August	18.5	1.3	0.2	8.4322	114.1
September	18.5	1.2		6.4344	113.7
October				8.4104	113.6

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	-16.0	-5.4	1443.0	100.0
1986	99.4	-2.5	-1.4	1461.9	101.4
1987	100.7	-7.5	-2.1	1494.3	101.1
1988	108.3	-8.9	-8.0	1536.8	97.7
1989	127.9	-11.3	-17.0	1509.2	98.6
1990	133.6	-9.3	-18.0	1523.2	100.1
1991	137.0	-10.5	-17.7	1531.3	98.7
1992	137.9	-8.0	-21.5	1591.5	95.5
1993	144.3	17.8	8.7	1836.7	80.5
1994	160.1	18.8	13.1	1908.6	77.0
4th qtr.1994	43.5	4.3	3.9	1960.2	75.0
1st qtr.1995	41.1	2.9	2.1	2069.8	70.8
2nd qtr.1995	44.2	5.0	3.9	2198.2	66.4
3rd qtr.1995			2.6	2096.4	70.0
November 1994	14.0	1.1	1.0	1958.1	75.0
December	15.6	1.5	1.9	1979.6	74.2
January 1995	12.5	0.6	-1.0	1992.4	73.9
February	13.5	0.7	1.1	2017.1	72.5
March	15.2	1.6	1.9	2199.9	66.3
April	12.8	1.6	-0.7	2273.5	64.1
May	15.3	1.8	2.4	2159.8	67.4
June	16.1	1.8	2.2	2161.4	67.5
July	16.3	3.4	1.4	2146.5	68.3
August	11.3	2.0	3.0	2080.2	70.8
September			-1.9	2062.6	71.0
October				2084.7	69.8

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	-5.7	3.8	0.5890	100.0
1986	108.3	-14.2	-1.3	0.6708	81.1
1987	112.3	-16.4	-7.1	0.7047	89.3
1988	120.9	-32.3	-25.0	0.6643	94.7
1989	137.0	-36.7	-33.5	0.6728	91.9
1990	142.3	-26.3	-26.6	0.7150	99.8
1991	147.7	-14.7	-11.7	0.7002	90.5
1992	145.9	-17.8	-13.4	0.7359	87.1
1993	156.1	-17.2	-14.2	0.7780	78.9
1994	174.0	-13.9	-2.2	0.7736	80.1
4th qtr.1994	45.4	-3.9	-0.7	0.7791	80.0
1st qtr.1995	46.3	-2.4	-1.5	0.7974	78.3
2nd qtr.1995	45.4	-3.8	-2.8	0.8253	75.7
3rd qtr.1995	47.3	-4.1		0.8268	75.7
November 1994	15.4	-0.9	n.a.	0.7786	80.0
December	15.1	-1.9	n.a.	0.7775	80.0
January 1995	15.3	-0.9	n.a.	0.7858	79.8
February	15.5	-0.9	n.a.	0.7923	78.5
March	15.4	-0.8	n.a.	0.8141	76.9
April	14.8	-1.7	n.a.	0.8261	75.9
May	15.3	-1.1	n.a.	0.8227	75.7
June	15.3	-1.1	n.a.	0.8271	75.5
July	15.3	-1.4	n.a.	0.8359	75.1
August	15.6	-1.5	n.a.	0.8261	75.9
September	16.5	-1.2	n.a.	0.8183	76.2
October			n.a.	0.8224	75.7

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

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NEWS: ASIA-PACIFIC

Japan's loans: the bad and the ugly

Gangsters have managed to muscle in on the financial crisis, writes Emiko Terazono

Japan's finance ministry, having persuaded the government, the banks and the public to undertake a rescue mission for the country's financial system, now has to sort out another influential body – the *yakuza*, or gangsters.

Japanese banks are discovering that the careless lending during the "bubble" era of the late-1980s is coming back to haunt them.

Crime organisations were involved in property projects around the country, and now banks are also having to face gangsters, adept in legal and financial skills, who have taken over bankrupt companies and their debts.

The ministry says it cannot accurately estimate the total loans linked to the *yakuza* as the country's banks are reluctant to provide such estimates.

But Mr Raisuke Miyawaki, a former director of the National Police Agency's criminal investigation bureau, believes that about 10 per cent of the banks' bad loans are gangster related, with another 30 per cent with probable links to crime.

Mr Sei Nakai, deputy director general of the ministry's banking bureau, concedes thet e significant number of loans linked to organised crime has made the collection of those loans "complicated".

Gangsters at the funeral of one of their chieftains: also adept at legal and financial skills AP

Japan's crime syndicates started to play an increasing role in the "formal" economy during the stock and property boom of the late 1980s.

Some played the stock market, buying companies by cornering their stock, while others set up front companies which dabbled in the property market or became non-bank financial institutions lending on funds eagerly lent out by banks and their financial affiliates during the era of easy money.

The *yakuza* were also widely involved in helping companies' and financial institutions' land speculation by intimidating landowners reluctant to sell.

"The bubble ripped open the wall between the informal and formal economies," says Mr Koyo Ozeki, analyst at Ibca, the credit rating agency.

With the downturn of the economy, an increasing number of the crime syndicates focused on ailing or bankrupt companies, and banks suddenly found that instead of the companies to whom they originally extended loans, they were having to deal with gangsters.

Their methods included collateralising property assets already collateralised by other creditors, and subsequently refusing to agree to the sale of the property unless given e substantial pay-off, or shouldering bank loans from defunct companies or those on the verge of collapse for a commission and then refusing to repay the banks by declaring themselves bankrupt.

Another technique was simply to take over office buildings of defunct corporations or property put in as collateral, making it impossible for the banks to euction them off.

"Due to the involvement of the *yakuza*, the loans in effect became non-performing," says Mr Ozeki. Bad loan collectors are more than reluctant to try to barter with the crime syndicates.

A series of killings of corporate executives – including a senior executive in charge of collecting bad loans at Sumitomo Bank and a vice president of Hanwa Bank in 1993 – thought to be linked to the *yakuza* over the past few years have highlighted the risks of having to negotiate with crime organisations.

However the ministry of finance has only just acknowledged the need for police involvement in resolving the predicament.

The police on the other hand say they cannot prevent or solve the crimes unless requested by the banks or companies. Mr Miyawaki, says the police are unequipped to handle the gangsters' involvement in the bad loans crisis.

Financial analysts warn that the problem could drag on. Although half-year financial figures announced last month revealed that the banks were aggressively writing off their bad loans, the institutions have chosen to build up loan loss reserves rather than liquidate the property collateral. "Even if loss reserves are increased and the loan effectively written off, the financial institution's connections to the asset and organised crime will remain," says Ibca's Mr Ozeki.

"Fiddling with figures is not good enough," says Mr Katsuyuki Kumagai, general manager at Teikoku Data Bank, a private corporate credit data research company. "It does not free up the property market for new transactions and development."

Famine could strike N Korea next spring

By John Burton in Seoul

South Korea's President Kim Young-sam warned yesterday that rapidly deteriorating conditions in North Korea, particularly a food shortage, could soon lead to a conflict. "The North is starving, poor and lacks energy" and "looks like a disabled airplane" that could crash and kill thousands.

It was the most ominous reference yet by the Seoul government to the threat of political instability on the Korean peninsula as reports trickle out from international aid workers in North Korea that the country appears headed for a famine by early next spring.

Defence officials in Seoul have already expressed worries that the worsening food shortage could trigger a North Korean "military provocation" against South Korea this winter in a last desperate attempt by Pyongyang to save itself from collapse.

Some analysts dismiss the warnings as alarmist, but a threatened famine could cause food riots and other civil unrest or lead to e palace coup by the hardline military against Mr Kim Jong-il, the *de facto* North Korean leader.

North Korea yesterday angrily took the US to task for spreading e "false rumour" that Pyongyang posed a threat to South Korea and Japan, Reuter reports from Tokyo. A Foreign Ministry official warned e "military confrontation" could develop and the country would have to take counter-measures if the US did not stop the rumours and drop its policy of hostility.

Pyongyang technocrats, who favour a gradual opening of the isolated country, might be discredited and lose power if international donors fail to respond adequately to the food crisis and instead allow North Korea to starve.

North Korea, once self-sufficient in food, has suffered from growing grain shortages in the 1990s due to an inefficient agricultural system, bad harvests, and the end of aid from the former Soviet Union. The worst floods in e century last summer eeverely exacerbated the problem as North Korea's best farmland was inundated.

North Korean claims about the scale of the flood damage were initially treated with scepticism by the outside world. Pyongyang said 5m people, almost e quarter of the population, were affected by the floods, which it claimed caused $15bn (£9.8bn) in damage and left 100,000 families homeless.

Many foreign observers believed North Korea was exaggerating the flood damage to gain free international food aid because it had run out of hard currency to buy grain supplies from abroad. Thailand recently refused to ship more rice to North Korea because Pyongyang had not paid for previous supplies.

Some Seoul officials suspect emergency rice supplies recently provided by South Korea and Japan in a humanitarian gesture have been diverted to feed the military instead of civilians.

The international response to North Korea's request for food aid has been cautions. Pledges of emergency support amount to $13m, which is close to meeting an initial target of $15m set by the United Nations, but most of that aid has not yet appeared.

Doubts remain on whether the promised aid is enough to see North Korea through the winter. International aid is falling far short of the amount needed, according to Mr Trevor Page, United Nations World Food Programme representative in Pyongyang.

Uncertainty still exists about the extent of the food shortage. Korean estimates of the overall grain shortfall range from 2.3m to 3.6m tonnes out of a total demand of 6.2m tonnes.

The UN World Food Programme has promised to provide $8.8m-worth of rice and cooking oil, while other aid is coming from private charities such as Médécins sans Frontières of France and World Vision of the US. This is in addition to 150,000 tonnes of rice supplied by South Korea in the summer, and 600,000 tonnes being delivered by Japan.

US officials, worried about the political instability the food shortages could cause, are encouraging private efforts to relieve the threatened famine, but Washington has made an official contributium of only $25,000 to the cause. Relief agency representatives, granted unprecedented access to the North Korean interior, describe a gloomy picture of conditions there.

Some families made homeless by the floods are taking shelter in makeshift structures of plastic sheeting as they prepare to survive what is predicted to be the coldest winter in a decade. One International Red Cross official recently in North Korea said the food shortage "has reached a near-critical situation".

People have been seen scavenging in the fields looking for roots and wild plants. Children are showing signs of malnutrition. Despite such reports, South Korean officials are hesitating to offer more aid unless Pyongyang resumes regular dialogue with Seoul.

The South Korean government was heavily criticised for this summer's rice shipment because it did not bring any political concessions in return. As part of efforts to repair frayed ties with South Korea, Japan recently promised not to provide more rice aid to North Korea unless Seoul approves the delivery.

But Seoul could relax its present tough attitude if circumstances warrant. "The bottom line is to prevent North Korea collapsing. We might give aid if the situation appears truly desperate," one foreign ministry official said.

Even if North Korea survives this winter without starving, it will probably have to continue to rely on international food aid.

Its agriculture is in bad shape. Arable land is limited. Productivity is poor and growing worse. Fertiliser supplies have fallen as production is affected by shortages. Farmland is covered by sand and mud; terraced slopes have been washed away.

In the absence of agricultural reforms and incentives for increased farm production, North Korea's food problems will remain acute.

ASIA-PACIFIC NEWS DIGEST

Japan seeks to calm N-plant fears

Japanese officials yesterday tried to allay fears over nuclear safety as the clean-up of the country's experimental prototype fast-breeder nuclear reactor started, following a coolant leakage. "The accident fell within a range of predictions," Mr Tumio Tsutsumi, vice-minister of international trade and industry, said. Monju, the fast breeder reactor at the centre of Japan's plutonium recycling programme, was shut down last Friday following a leakage of two to three tonnes of liquid sodium coolant used in the primary cooling system.

The incident would not affect Japan's plutonium policy, Mr Tsutsumi added. Many critics have berated it as expensive and unnecessary when uranium fuel prices are falling sharply because of over-supply. The accident prompted an outcry from the anti-nuclear lobby and local residents.

The state-owned Power Reactor and Nuclear Fuel Development Corporation, which operates Monju, has started to remove the sodium left in the cooling pipes. The reactor started operating in August and was running at 40 per cent capacity when the accident occurred. *Emiko Terazono, Tokyo*

Roh aide questioned over jets

South Korean prosecutors are today to question an aide to former President Roh Tae-woo over whether bribery was involved in e 1991 contract for 120 F-16 fighters from General Dynamics of the US. Mr Kim Chong-whi, former national security adviser to Mr Roh, is seen as a pivotal figure in the decision to award the $5.2bn (£3.4bn) contract to General Dynamics, which subsequently merged with Lockheed Martin. There have been widespread allegations in Korea that kickbacks to Roh administration officials led to the choice of F-16 over the McDonnell Douglas F/A-18 combat aircraft, which was favoured by the Korean air force. Lockheed Martin has denied allegations of bribery. *John Burton, Seoul*

China hopeful on inflation target

China expects to attain its inflation target for the year with November retail price figures showing a slowdown to 15.4 per cent compared with the same period last year. "China has basically reached the macroeconomic control target, which was set at the beginning of the year, of keeping the price rise at around 15 per cent for the whole year," the State Statistical Bureau said. *Tony Walker, Beijing*

Taiwan bank hit by withdrawals

Overseas Chinese Bank of Taiwan, one of the country's medium-sized banks, has suffered heavy withdrawals of deposits following news that it is under investigation by prosecutors for allegedly extending large loans without sufficient collateral to a construction company. Mr Tsai Jui-lang, the bank's president, said late last week that the loans to Hsin Chieh Chung Construction, a company based in the central city of Taichung, totalled T$2.7bn (£65m) and had been secured with sufficient collateral. *Peter Harmsen, Taipei*

NEWS: INTERNATIONAL

Structural adjustment at the World Bank

Christopher Parkes looks at the management changes announced by the institution's new president

Mr James Wolfensohn lobbied hard to win the job of World Bank president. And ba has worked hard educating himself in the six months since he took charge: trekking in and out of more than 25 countries. Now, as he explained in a memo to its more than 6,000 staff circulated last week, it is their turn – that of management in particular – to take some of the heat.

Starting next year about 50 of what be called "our best people" are to be packed off back to college to learn bow to manage. Others will be seconded into industry and private sector banks. They will return, the memo continued, equipped to liberate the energies and skills locked up elsewhere in the institution.

That is when the executive directors, representing the bank's restive shareholders, hope to see the pay-back start trickling in from Mr Wolfensohn's first significant management initiative.

His scheme has raised eyebrows in several world capitals, especially among governments striving to redoce their own administrative costs.

He has addressed what he sees as his main tasks – breaking the "armlock of bureancracy", creating "a results culture" and honing efficiency – in an unusual style. Ha has sbunned the slash-and-burn approacb popular elsewhere and resisted any temptation to replace old hands with new blood or former favourites from his previous existence in Wall Street.

Instead, be increased the number of managing directors reporting directly to him from three to five by promoting a brace from his bag of 18 vice-presidents. Ms Jessica Einhorn, treasurer, moves up to take overall charge of mobilising finances and resources. Mr Caio Koch-Weser, vice president for the Middle East and Africa, will move up to share overall control of operations with Mr Gautam Kaji, one of the present MDs.

Wolfensohn: tough memo

"It has been noted that there is not a single new face," said one critic. "Does it make sensa? Will it make things more afficient to bava operations split two ways?"

According to bank insiders, the decision to involve managing directors directly in day-to-day management, giving them specific areas of responsibility, was the first decision Mr Wolfensohn took. It was also one of the most popular within the bank, because it marked a first step towards implementation of his main aim – to build incentives and accountability into the bank's culture.

This is the job handed down to Mr Sven Sandstrom, one of the existing MDs, who is being asked in effect to root out tha civil service mentality pervading the bank.

It is understood be has been given two years to succeed ... plus all the support he may need from the president.

Last week's staff note left no room for misinterpretation. Personnel and training were tbe bank's most important problem areas, Mr Wolfensohn wrote.

"I would like people wbo contribute to our success to be encouraged and rewarded, and I would like those who do not to be assisted to improve their performance or encouraged to do something else," be added.

Bank employees, unused to such ripe language, appeared to be reserving judgment.

The bank's internal culture has been picked on as a prime cause of its problems. Studies such as the Wapenhans report noted that staff tended to get promoted more on the basis of how many loan projects they pushed through than on the effectiveness of those projects at helping the cause of development.

Previous World Bank heads have restructured the organisation only to find within a year or two that clans bad reformed under their old leaders, albeit within new organisational boxes. One executive director claimed the full board was "unambiguously very supportive" of the changes and the clear mandates given to the top managers, others were concerned at the concentration on top jobs – including tha creation of a new senior vice president's post for chief economist Michael Bruno.

"People could say that is fine as far as the chiefs are concerned, but they might also ask what is going to happen with the Indians," one official said. "Reporting channels are still too long. A task manager still has to go through five layers to reach the top. There is a very strong feeling that we need more de-layering."

The tough tone of Mr Wolfensohn's memorandum suggests he is far from oblivious to the scepticism, and will have little patience with slackers at any level. In case anyone missed the message first time round, be closed witb the injunction: "I bave made it clear that I expect the management group to work with me at top pressure."

Among those likely to have his work cut out is Mr Mark Malloch Brown, external affairs supremo, and the man responsible for maintaining relationships with and deflecting criticism from shareholder governments. He has been elevated from director to vice-president in recognition of the importance Mr Wolfensohn places on his role.

As one observer remarked: "I just hope that does not mean be gets to have a new director under him."

Britain to expel Libyan diplomat for spying

By Roula Khalaf

Britain yesterday ordered the expulsion of a senior Libyan diplomat in London, accusing him of spying and intimidating dissidents.

The Foreign Office asked Mr Khalifa Ahmed Bazelya, head of the Libyan interest section at the Saudi Arabian embassy, to leave Britain by Christmas day after declaring him persona non grata for having engaged in "activities incompatible with his diplomatic status". Privately, officials confirmed this can mean spying and intimidation.

Britain broke off diplomatic relations with Libya in 1984 after the killing of policewoman Yvonne Fletcher outside the Libyan embassy in London, from which the shots were believed to have been fired. The Italian embassy in Tripoli has looked after British interests since then.

Foreign Office officials insisted yesterday the expulsion was unconnected with the death last month of Mr Ali Mohamed Abouzid, an opponent of Col Muammar Gadaffi, the Libyan leader. Mr Abouzid was found stabbed to death in his London grocery store.

Observers, bowever, were quick to make the connection since dissidents suspect the murder was at the instigation of the Libyan anthorities. Although police officials say no one has been arrested for the murder and they have no evidence pointing to any group or government involvement, a police statement last week said the case had been referred to the anti-terrorist branch.

Libyan experts said yesterday Mr Bazelya headed Jana, the Libyan official news agency in London and was in charge of monitoring the acts of Libyan dissidents. He would thus be beld responsible for any action taken against dissidents by the Libyan authorities. They said UK authorities had become worried about reported threats on the exiled Libyan community and may have wanted to send Tripoli a warning.

Internal unrest blamed on an Islamist opposition has raised tensions in Libya this year, making the regime even more radical.

"The regime has become more bellicose towards its own population and the outside world," said one expert. This and frustration over continued United Nations sanctions, imposed in 1992 and widened a year later after Libya refused to hand over two suspects of the 1988 bombing of a US airliner over Lockerbie in Scotland, have led to a campaign of expulsion of foreign workers.

South African unions to fight state sell-off plans

By Roger Matthews in Johannesburg

Sontb African trade unions yesterday spelled ont tbeir total opposition to the government's privatisation plans and forced ministers into establisbing a new bilateral committee to review the state sector's future.

Mr Sam Shilowa, general secretary of the Congress of Sonth African Trade Unions (Cosatu), said after meeting three ministers that no society in tbe world had benefited from privatisation. "If the government wants to sell off the family silver, we say no, you cannot," be declared.

Cosatu had reacted with "sbock and disbelief" last week when the cabinet said it favoured seeking minnrity partners for Telkom, the telecoms company and South African Airways, and was prepared to dispose of three other companies as part nf a programme to reorganise state assets. The appointment of Mr Thabo Mbeki, deputy president, to head a cabinet committee on reorganising state enterprises, underlined the government's eagerness to press ahead.

Mrs Stella Sigcau, Mr Mac Maharaj, and Mr Pallo Jordan, ministers respectively for state enterprises, transport, and posts and telecoms, agreed at the meeting at Cosatu beadquarters that no decisions would be taken until the new bilateral committee, with six members from each side, had negotiated a national framework accord.

They also agreed that reorganisation of state assets had to be undertaken in the context of a reconstruction and development programme aimed to bring basic services to the most deprived parts of the community.

Mr Shilowa said the unions did not object to restructuring so long as its aim was to improve efficiency, stamp ont corruption, and provide jobs. "We accept the need for tbe restructuring of state assets, but not that it sbould be a euphemism for privatisation."

Creating the bilateral committee adds another layer to an already extensive consultation process. Six sectoral task teams are preparing recommendations and outside advisers will soon be appointed.

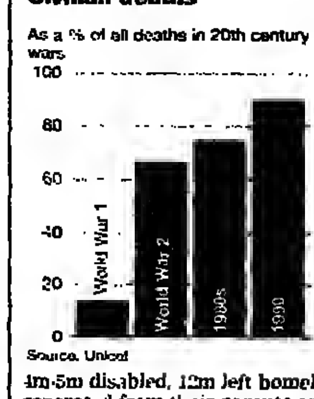
The issue is being debated in the National Economic Development and Labour Council (Nedlac) on wbicb government, business and unions are all represented, Mr Sbilowa said there was no need for business to take part. "It is not involved. This is between the government and us."

INTERNATIONAL NEWS DIGEST

Unicef sets out anti-war agenda

Civilian deaths

As a % of all deaths in 20th century wars



Source: Unicef

The United Nations Children's Fund yesterday set out an anti-war agenda to reverse the increasing toll on children taken by armed conflicts, 50 years after the agency's creation to help child victims of the second world war. In its annual report on The State of the World's Children*, Unicef says civilians account for almost 90 per cent of all deaths in today's conflicts, compared with 70 per cent in the second world war and 14 per cent in the first world war. During the past decade 2m children have been killed, 4m-5m disabled, 12m left bomeless, more than 1m orphaned or separated from their parents and 10m traumatised. "Thousands of children under the age of 16 have fought in wars in 25 countries," the UN agency adds.

Unicef's 10-point anti-war agenda includes a ban on anti-personnel landmines, the systematic reporting of war crimes against women and children, raising the conscription for children from 15 to 18 years, and "carefully monitoring" the impact of economic sanctions on children, a reference to Unicef's concern about Iraq. *Frances Williams, Geneva*

*Oxford University Press, $10.95 (£5.95)

Bank backing for capital reform

Central bank governors from the Group of Ten leading industrialised nations yesterday backed proposals from the Basle committee of banking regulators for new capital requirements to cushion banks from market risks.

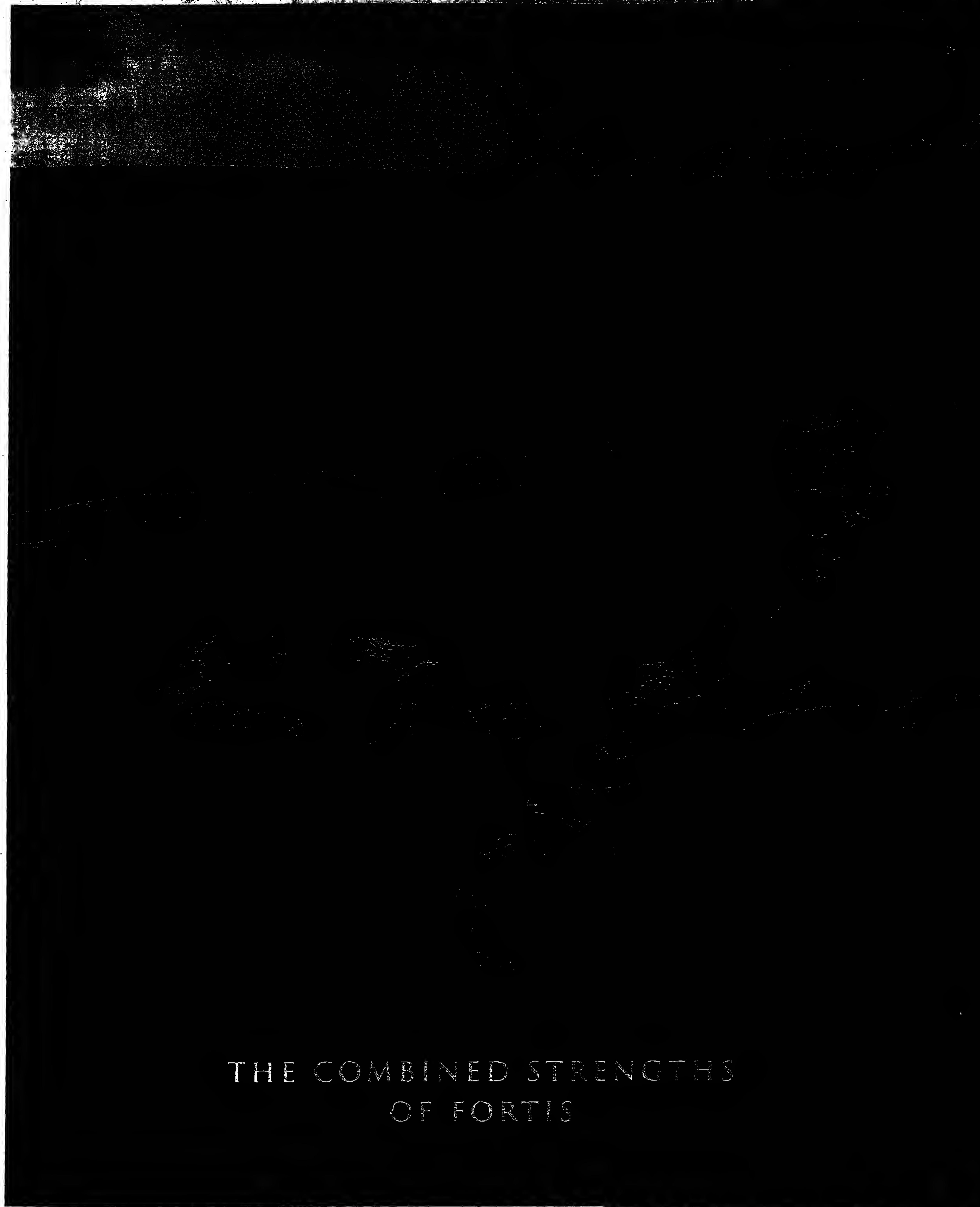
Mr Hans Tietmeyer, president of the German Bundesbank and chairman of the G-10 governors, said the proposals were important because, for the first time, they allowed banks to use their own in-house models for measuring market risk, rather than being forced into a single regulatory framework.

While banks and financial industry associations have welcomed the Basle committee's acceptance of in-house models, they complained that its draft required them to set aside more capital than necessary. As a safety factor, banks would have to maintain capital at three times their average value at risk, or the previous day's exposure if that was higher. *George Graham, Banking Correspondent*

Algerian newspapers start strike

Algerian newspapers begin a three day strike today to protest against government suspension of a leading daily and the arrest of top staff members. In special editions yesterday, editors of independent newspapers condemned the two-week suspension of French language daily Liberté and the arrest of its editor, Mr Hacene Ouandjli and its director-general, Mr Outoudert Abrouss on Sunday. After appearing in court yesterday, Mr Ouandjli was released while Mr Abrouss was beld in custody.

Editors in Algiers yesterday said the government took issue with factual information in a Liberté article last week on former general Mr Mobamed Betchine, a senior aide to President Liamine Zeroual. *Roula Khalaf, London*



Take a few companies at random, put them together, and what have you got? Just a list of names.

But if you can make these same companies work together in the right way, then you create something that can stand up to any threat. Five years ago, [illegible] exist. Today, Fortis has a balance sheet total of some ECU 115 billion, and is one of the world's largest financial service groups.

Few companies can match such a performance. Yet the basis for this success is really quite simple: it is a matter of [illegible] strengths.

In 1990, the Dutch bank-insurer AMEV/VSB, and Belgium's largest [illegible] company AG, decided to join forces. [illegible] was Fortis. A unique, strategic combination of [illegible]

[illegible] Now, Fortis has more than 100 companies active in the fields of insurance, banking [illegible] the world.

[illegible] position in the home market [illegible] disciplines they carry on [illegible] they do best, while preserving individual character and specific [illegible] And

The parent companies Fortis AG and Fortis AMEV are listed on the Brussels and Amsterdam exchanges respectively. Both are also listed in London and Luxembourg. Fortis AMEV has a sponsored ADR program in the United States. Fortis companies are among others: Australia: AIM Holdings, AMEV Family, Fortis Australia Ltd., Fortis Life Assurance, TGIO, VACC [illegible] AMEV Verzekeringen, AMEV Ontwikkeling Maatschappij, AMEV-Ardanta, Barter Finance, BetaFin, CDK Bank, DEFAM Financieringen, Falcon Leven, FMN Finance House, Fortis Investments, Fortis Industrial, Forum Schadeverzekering, GWK Bank, Interlloyd Verzekeringen, KBW [illegible], NeSBIC Groep, TOP Lease, VISA Card Services, VSB Bank, VSB Leven, VSB [illegible]

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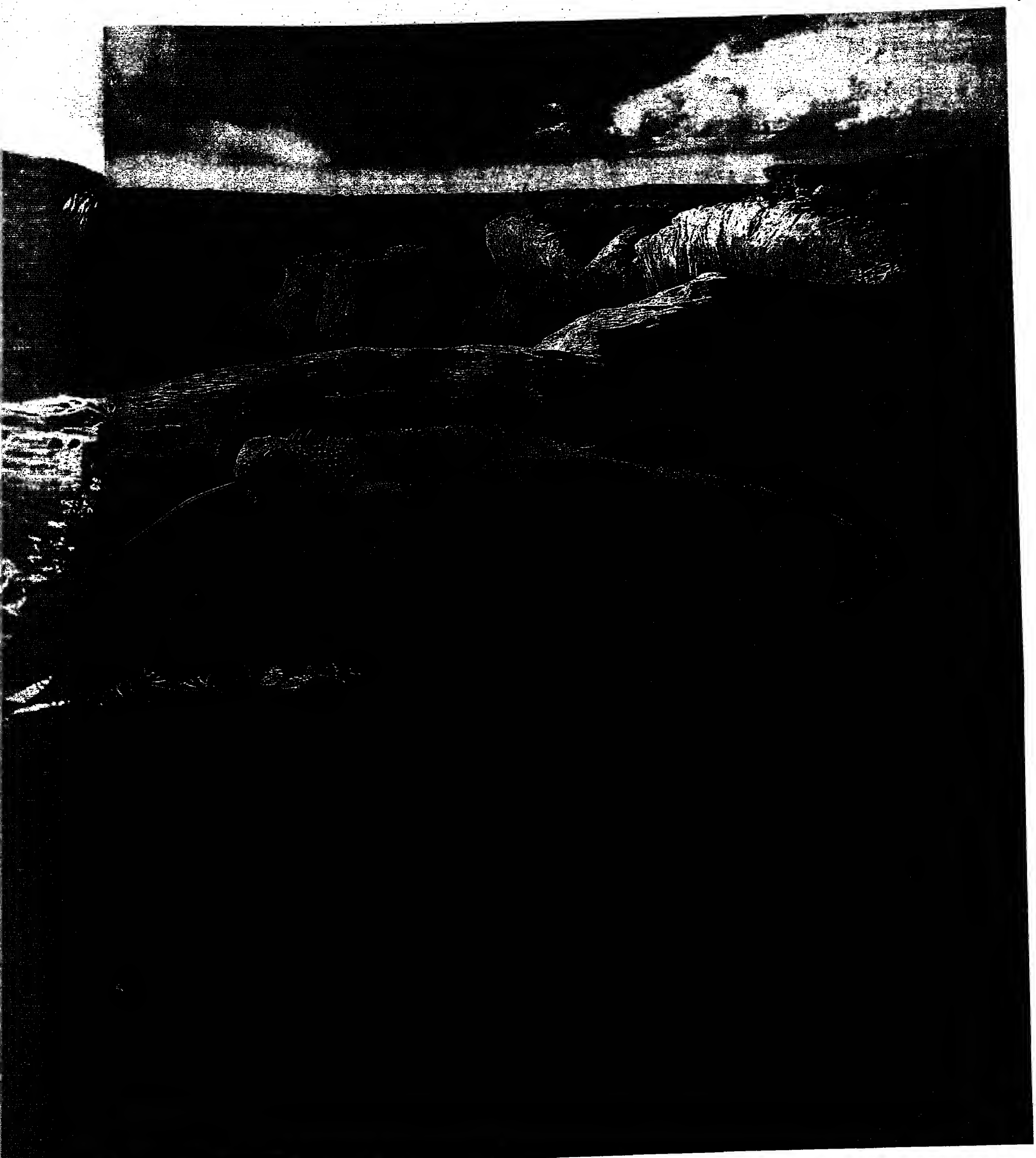

by doing so, feeding enthusiasm for further development.

This is one reason why Fortis in the United States enjoys a leading position in a number of specialized insurance market segments. In Spain, thanks to a joint venture with "la Caixa", Fortis is ooe of the largest life insurers.

And in the Benelux, where its companies include AG 1824 and ASLK-CGER in Belgium and AMEV and VSB in the Netherlands, Fortis is one of the leading providers of financial services. All these examples underline that Fortis has tremendous potential. Because the strength of the whole is greater than the sum of the parts.

That was the original idea, and that is still how Fortis sees it. Eveo though much has been achieved in the past five years, our 33,000 employees are keen to make sure that this is just the beginning. Fortis is ready for the oext step.

A complete brochure is available with more information, which we would be pleased to send you upon request. Please call us on: 31 (0)30 257 65 49 (NL). 32 (0)2 220 9349 (B).
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Chinese bank seeks funds for oilfield project

By Tony Walker in Beijing

China's first joint venture investment bank is seeking some Yn6bn ($750m) in foreign capital to fund the further development of a large oilfield in the country's north-east Jilin province.

This will be the first big mandate to raise funds abroad for China International Capital Corporation (CICC), a venture between Morgan Stanley of the US, China's Bank of Construction and smaller shareholders including the Singapore Investment Corporation (SIC).

Mr Cai Jinyong, deputy general manager of CICC, said the investment bank had been appointed "sole financial adviser" to the Jilin Oil and Gas Development in an agreement signed last week. Funds, he said, would be raised during the next five years to lift production in the Jilin field where reserves are estimated at 170m tonnes. Planned annual output would be 2m tonnes.

Mr Cai said CICC itself might take a small stake in the venture, but was also seeking the involvement of a large oil company as an "equity partner". China insists that local institutions remain majority shareholders in the development of the country's natural resources, but this would still leave room for a sizeable stake for a foreign partner.

China, which became a net importer of oil in the past year or so, is under pressure to lift production from existing under-exploited fields.

The central government has been providing the money to develop China's oil reserves, but given huge and growing demands on the central budget funding is constrained. Project financing (for the Jilin field) required no government guarantee and would not add to China's sovereign debt, the official Xinhua newsagency said. The authorities have stopped providing guarantees for the funding of virtually all infrastructure and development projects.

Morgan Stanley has a 35 per cent stake in CICC, the Bank of Construction 42.5 per cent, and 7.5 per cent is spread between the SIC, the privately-owned Mingly Corp of Hong Kong and the China National Investment Guarantee Corp controlled by the Ministry of Finance.

S Korea to open up telecoms sector

By John Burton in Seoul

South Korea yesterday said it would open its telecom service industry to foreign ownership in 1998, although stakes held by overseas investors would be limited to minority shareholdings of up to 33 per cent.

The Korean offer to open its telecom market was made to the World Trade Organisation, which is conducting telecom liberalisation talks in Geneva but it is unlikely the US and EU will accept the proposed opening as being satisfactory.

Foreigners are now allowed up to one-third ownership in cellular phone systems and other forms of wireless communications, but are barred from owning stakes in companies providing local and domestic long-distance calls and international telephone services among others.

Twelve telecom services will be opened to foreigners, including regular telephone services, packet-switched data transmission, circuit-switched data communications, telex, telegraph, facsimile, leased lines, digital cellular, paging, personal communication service, trunked radio system and wireless data transmission.

The number of telecom service providers is set to grow rapidly in South Korea because of industry deregulation. Foreign capital and technology is needed to help support construction of telecom infrastructures.

Foreigners will be permitted to invest up to 33 per cent in new joint venture companies beginning in 1998, but participation in existing telecom companies will be limited by current foreign shareholding rules for listed companies, which restrict holdings by overseas investors to 15 per cent. This ceiling is expected to be raised to 20 or 25 per cent by 1998.

Companies affected by existing foreign shareholding limits include Dacom, which presently provides international services and domestic long-distance calls from next year, and the two cellular phone operators, Korea Mobile Telecom and Shinsegi Telecom.

Foreigners will be limited to a 20 per cent stake in Korea Telecom, which dominates the country's telecom industry.

State-run Korea Telecom is due to be listed on the Seoul stock exchange next year as part of a process to privatise the company by the end of the decade. The ministry of information and communications said foreign ownership in Korea Telecom will be curbed because of its leading role in the market and strategic importance to the nation's telecommunications industry.

Foreign companies will also be allowed to borrow telecom circuits from domestic operators and loan them to third companies for services such as data transmissions.

EU urges Asean telecoms liberalisation

By Ted Bardacke in Bangkok

The European Union yesterday urged member countries of the Association of Southeast Asian Nations to speed up telecommunications liberalisation and enlisted their support for negotiations on overseas investment guarantees.

"We are due to complete negotiations on telecommunications liberalisation in April...and to my knowledge only Singapore has even completed the questionnaire," said Sir Leon Brittan, vice-president of the European Commission. "If we don't get enough participation, the agreement won't have either the width or breadth necessary to be effective," he said.

On the subject of investment guarantees, Sir Leon urged Asean which groups Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, to take it up as an issue before next year's WTO ministerial meeting in Singapore.

These talks would not only focus on investment protection but investment facilitation, such as a common set of criteria for setting up a business or making an investment. Unclear rules and cumbersome regulations are frequently cited by companies as barriers to investment in Asia.

Asean ministers were largely non-committal on the two requests.

The ministers also discussed with Sir Leon the agenda for the EU-Asian summit scheduled for March 1-2 in Bangkok. The agenda will deal with both political and economic issues with the EU stressing measures to facilitate investment and setting up some specific procedures for follow-up. The EU would also like to see the creation of a parallel private sector EU-Asian grouping.

In a separate meeting, Asean economic ministers agreed to move forward with plans for an agreement on liberalising trade in services and protecting intellectual property rights.

The ministers agreed that negotiations to free up trade in tourism, financial services, telecommunications, construction and transport should begin immediately with an agreement in three years.

On intellectual property, Asean will study setting up a common patent system and the establishment of a regional trademark registration office, with the intention of protecting Asean inventions and trademarks within the region rather than providing added protection for outsiders. Any agreement would be a complement to member countries' commitments to protect intellectual property rights by the year 2000 under the WTO's Trade Related Aspects of Intellectual Property Rights agreement.

The ministers also ratified the creation of a new protection category within the Asean Free Trade Area in an effort to satisfy Indonesian requests to protect 15 agricultural products, including rice and sugar, which it had originally agreed to liberalise.

The new category provides protection until 2010 for those agricultural products whose trade is carried out by State Trading Enterprises which have been notified to the WTO.

Manila acts on insurance pledge

By Edward Luce in Manila

Aetna Life Insurance, the US based insurance company, yesterday became the first foreign company in 30 years to be granted an operating licence by the Philippine government.

The award is the first move in the liberalisation of the domestic insurance industry and is set to be followed by the issue of several more licences soon. The Philippines pledged to open up its domestic market under a World Trade Organisation financial services package this year.

Manila also opened up the domestic banking sector earlier this year issuing full permits to 10 foreign banks.

"The Philippines is developing one of the most open and competitive insurance markets in the Asia Pacific region," said Mr Frederick Cepeland, president of Aetna. "We expect it to be a fiercely competitive environment over the next few years."

Around 60 per cent of the Philippine life insurance market is controlled by the four existing foreign licensees - AIG, Canada Sun Life, Jardine CMG and Manulife. Over 100 Philippine companies operate in the life and non-life market many of which are expected to be taken over by the new foreign licensees.

Mr Eduardo Malinis, the Philippine insurance commissioner, is expected to issue full licences in the next few months to Prudential (UK), Cigna Corp, Mapre Re International and John Hancock Mutual Life. New licensees must declare paid up capital of 300m pesos ($11.5m).

"We expect the market to double by the turn of the century," said Mr Copeland. "There is a growing new middle class backed by healthy economic growth but there is also scope for attracting those who have not yet taken out insurance policies."

About 11 per cent of the country's 68m people are covered by some form of life insurance, including those on employee benefit schemes.

US Export-Import bank pressed on China dam finance

By Nancy Dunne in Washington

The US Export-Import Bank is under pressure from the US Congress and business lobbyists to offer export financing to US companies seeking contracts on China's controversial $24bn Three Gorges Dam project.

A National Security Council interagency committee concluded earlier this year that US government financing should not be made available to a project which "raises environmental and human rights concerns on the scale of Three Gorges". This decision was communicated to the bank by Mr Samuel Berger, the NSC deputy.

This put Eximbank on the spot. It is an independent agency, but it works closely with other government entities to carry out administration policy. In a memo to Mr Kenneth Brody, Eximbank's outgoing chairman, Mr Berger warned that environmental groups were likely to go to court in their efforts to halt the financing.

The environmental group Defenders of Wildlife says the proposed dam on the Yangtze River would destroy the habitat of a number of threatened species, including the endangered Chinese river dolphin.

Mr Berger also raised concerns about the "financial strength" of the project.

The dam, intended primarily for flood control but also for power, will require the resettlement of over 1.1m Chinese.

This movement of people has concerned the World Bank, which has not refused to finance the project, but has signalled to China that it did not want to be asked either.

Beijing has said it will fund the project out of its own treasury, if necessary.

The NSC memo came in response to a request for White House input from Mr Brody who has promised to make an independent judgment on the project "based on the tests of financial, technical and environmental soundness".

Mr Donald Fites, Caterpillar's chairman, has requested an Eximbank Letter of Interest, indicating preliminary support, to finance equipment sales for the dam.

He said Caterpillar has had "only limited success" in selling new equipment to the various dam contractors and that "funding is without question the key constraint for Caterpillar and other US companies trying to participate."

Caterpillar contends that it could gain $200m in contracts and a few hundred million more for other projects in central China.

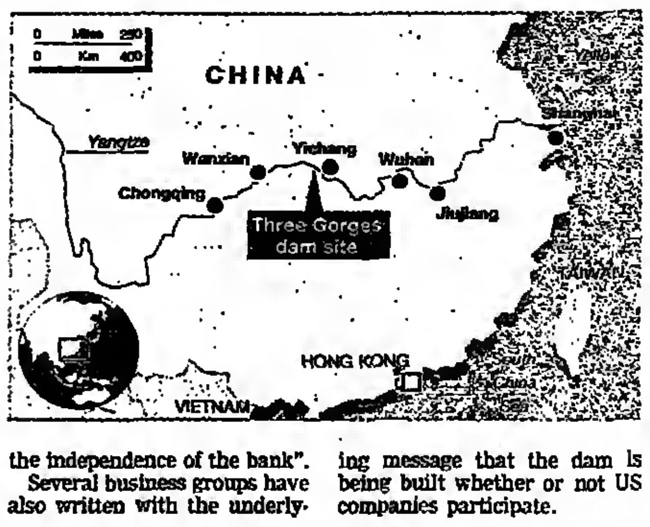
After the company obtained a copy of the NSC memo, the company enlisted the help of the business community to present its case to the White House.

The Illinois Congressional delegation, led by Democratic senators Paul Simon and Carol Mosely Braun, has asked Mr Anthony Lake, the national security adviser, to review the decision and hopes to meet him this week.

Caterpillar is based in Illinois and a number of other companies in the state hope to provide equipment for the dam.

Congressmen Doug Bereuter and Toby Roth, the chairman of two key subcommittees, have written to Mr Brody to express concern that the Administration is attempting "to compromise the independence of the bank".

Several business groups have also written with the underlying message that the dam is being built whether or not US companies participate.



Tokyo defends record in buying foreign goods

By Michiyo Nakamoto in Tokyo

The Japanese government yesterday defended its record in government procurement of foreign products with a white paper which highlights that among industrialised countries Japan has one of the highest ratios of public procurement from overseas.

The first white paper to be published on the Japanese government's procurement of foreign products states that of the Y731.8bn ($7.2bn) of goods procured by the Japanese government last year, 18 per cent was of foreign origin. Although this was a decline from the 20 per cent of government procurement accounted for by foreign goods in 1993, it showed a steady increase from 1990, when the proportion was 14.2 per cent.

The Japanese government's recent record in foreign procurement compares favourably with that of other industrialised countries, the white paper said. Although the latest comparisons were dated 1990, Japan's level of foreign procurement at over 14 per cent of overall procurement is higher than in the US, where foreign goods accounted for 11.9 per cent of government procurement and the European Union where the figure was only 2 per cent.

The paper's findings support the Japanese government's claim that, contrary to foreign criticism of its procurement, the government has made significant efforts to make its procurement procedures easier to understand and to buy more products from outside Japan.

Japan's trading partners have complained that the Japanese government's procurement practices lacked transparency, making it extremely difficult for foreign companies to win government contracts.

The American Chamber of Commerce in Japan, for example, said that in early 1994 a large number of government tenders for complex heavy equipment allowed only seven to 15 days for delivery after the bid opening. "It would be virtually impossible for an off-shore, non-Japanese manufacturer, to deliver the goods within the required time unless it was advised in advance that its bid would be selected," the ACCJ said.

Despite its criticism, or because of it, the US, which has been one of the most vocal in its complaints of Japan's public procurement record, came out at the top among countries which supply the Japanese government.

In 1994, just over 54 per cent of foreign goods procured by the Japanese government originated in the US against 23.5 per cent from the EC, which came second.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for December 15 1995 to January 14 1996 (November 15 1995 to December 14 1995 in brackets).

D-Mark	6.37	(6.71)
Ecu	7.19	(7.49)
French franc	7.48	(7.85)
Guilder		
up to 5 years	6.00	(6.40)
5 to 8.5 years	6.65	(7.00)
more than 8.5 years	7.55	(7.85)
Italian lira	10.76	(11.01)
Yen	2.60	(2.60)
Peseta	11.59	(11.54)
Sterling	8.24	(8.61)
Swiss franc	4.89	(5.22)
US dollar for credits		
up to 5 years	6.67	(6.77)
5 to 8.5 years	6.69	(6.86)
more than 8.5 years	6.88	(6.97)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days. SDR-based rates of interest are the same for all currencies. For the period from 15th July to 31st August 1995, the SDR-based rate will be 6.60 per cent. The SDR rate was abolished on the 31st August 1995.

WORLD TRADE NEWS DIGEST

Japan carmakers in Taiwan deal

Mitsubishi Motors, the Japanese vehicle maker, will supply Nissan with trucks for sale in Taiwan under the Nissan brand. Under the deal, which highlights the increasing interdependence of Japanese carmakers as they expand in Asia's growing vehicle markets. Mitsubishi will manufacture a small truck for Nissan at its plant in Taiwan. The company will provide Nissan with 200 to 300 trucks a month from next spring. The two companies are also considering mutual parts supply in Taiwan.

Nissan, Japan's second largest vehicle manufacturer, will halt production of the trucks at a Taiwanese joint venture facility. The company is looking to expand production in Taiwan, where Nissan sold 62,553 vehicles last year against total demand of 560,890 units. Nissan already produces some of its main volume models in Taiwan through its joint venture. However, the company is focusing on the passenger car market in Taiwan ahead of an expected lifting by the Taiwanese government of its ban on imports of manufactured vehicles. In addition to the mass-market cars it already makes in Taiwan, Nissan is considering production of a luxury car there.

Michiyo Nakamoto, Tokyo

■ Nissan Diesel Motor will start exporting small trucks produced at its South Africa unit to other African nations. "The timetable has not been set but we plan to start with Kenya and Tanzania," a company official said. Initial exports will be less than a 100 units annually. Nissan Diesel plans to produce about 1,000 units of trucks at the unit in the year to March 1996.

AFX News, Tokyo

Australian wheat for China

Australia will supply China with 3m tonnes of wheat between 1996 and 1998. The deal, signed between the Australian Wheat Board and Ceroilfood, the Chinese group, marks the first long-term supply agreement since the early 1980s, according to the AWB.

"It is a sign that the Chinese believe, as I do, that we will seen a return to more normal market conditions where US and European export subsidies are likely to be used with more restraint in the next couple of years," commented Mr Trevor Flugge, AWB chairman.

The AWB said that the largest annual shipment of Australian wheat to China was 3.7m tonnes in 1986/7 although in the 1960s and 1970s, slightly smaller amounts – around 2m tonnes – were supplied to China on a regular annual basis. "This agreement hopefully signals a return to that sort of business," said Mr Flugge.

Australia's wheat farmers faced drought conditions on the eastern seaboard a year ago but are expected to harvest around 17.1m tonnes in the current year, a 92 per cent rise on 1994/5, with production in Western Australia headed for a record 7.5m tonnes. Rumours that Russia has been buying grain abroad have fuelled a price rally, and US wheat futures have been trading at 20-year highs.

Nikki Tait, Sydney

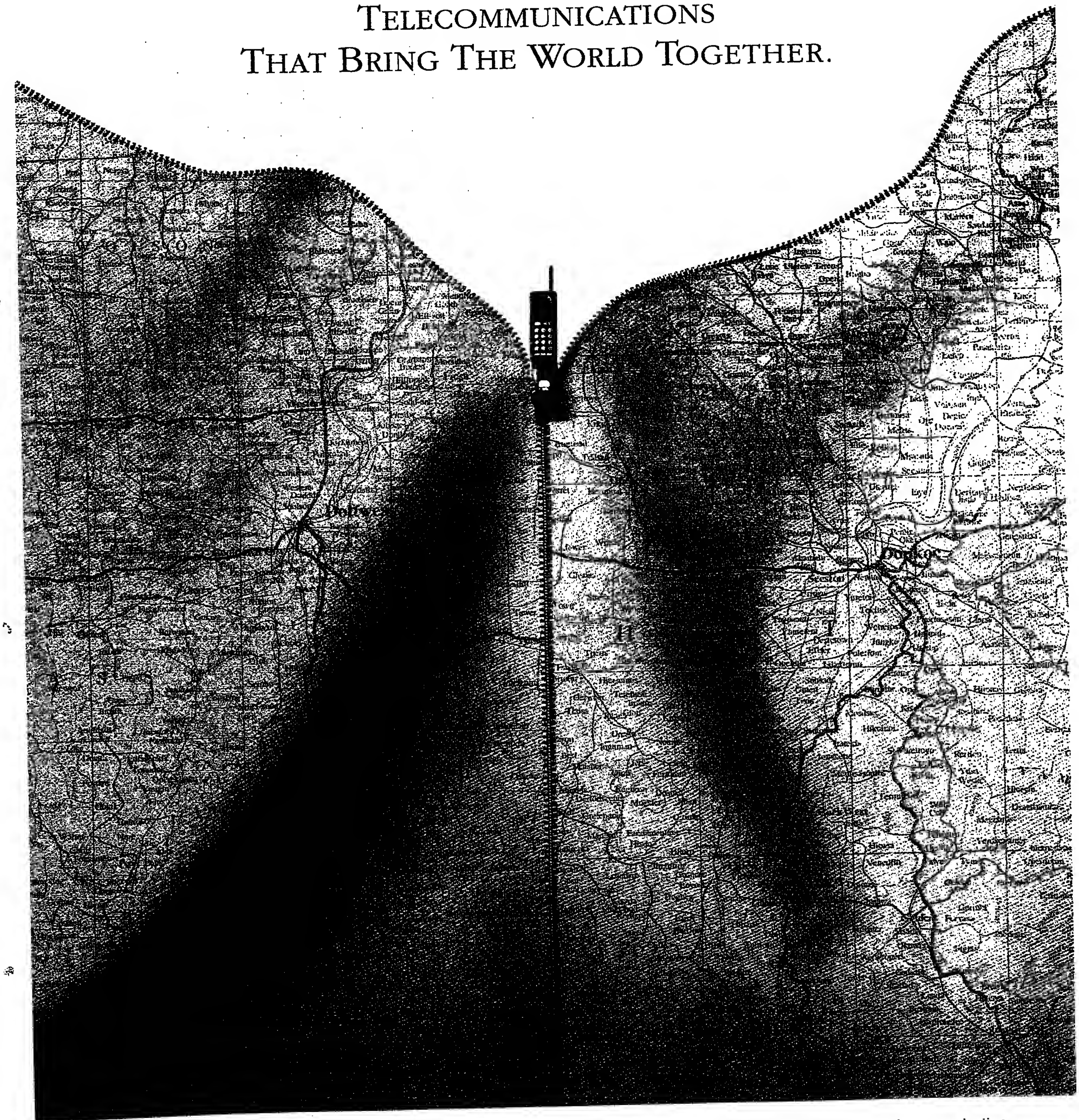
■ A P Moller, the shipping and oil and gas group, has placed an order for three giant container vessels for the group's Maersk Line with the Odense Steel Shipyard in Denmark. The vessels are of the C-5500 type with capacity to carry over 5,500 standard 20-foot containers. Moller had earlier placed orders for nine of the vessels with the Odense yard. The latest order will be accompanied by an order for 20,000 containers from the group's container manufacturing subsidiary in Denmark, Maersk Container Industri.

Hilary Barnes, Copenhagen

■ Phillips Electronics has signed a seven-year partnership agreement with Australia's federal government. The A$700m (US$516m) programme will concentrate on telecommunications, broadband transmission systems, rural microwave systems, engineering, electronic components and industrial design.

Nikki Tait, Sydney

TELECOMMUNICATIONS THAT BRING THE WORLD TOGETHER.



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Island creates haven against liability risk

By Jim Kelly, Accountancy Correspondent

Lawyers, architects, surveyors, merchant bankers and doctors in partnerships will be able to take advantage of a new law designed to protect the personal assets of accountants from litigation.

The States of Jersey, the governing assembly of the island off the coast of France, yesterday announced that it wanted to introduce the law after talks with both Price Waterhouse and Ernst & Young, the accountancy firms.

But it became clear that the new law could benefit many large firms in other professions suffering the side-effects of unlimited liability. Jersey proposes to allow firms to set up as limited liability partnerships (LLPs). Jersey, like other Channel Islands between England and France, is an ancient bailiwick which is outside the UK but under the jurisdiction of the British monarchy. It makes its own laws.

Senator Pierre Horsfall, the president nf the finance and economics committee of the States of Jersey, said he hoped the new law would be "utilised by other large multi-partner professional firms".

Mr John Syvret, director of the island's financial services department, said Jersey was now a significant international finance centre "and we felt it was appropriate to respond to a major deficiency in this part of the world for financial institutions of stature".

It is unclear how institutions of "stature" are to be recognised. However the Jersey government said yesterday that firms registering under the new law would need to make "a £5m financial provision". This is seen by big firms as a form of bond. It was estimated yesterday that the size of the bond would restrict the new limited liability status to the top 20 accounting firms.

Price Waterhouse and Ernst & Young both indicated that such a new law would give them what appeared to be an ideal option for limiting liability. The combination of damages and providing insurance against claims amounts to 8 per cent of annual turnover for the Big Six British accountancy firms. Under LLP status the firms would be able to preserve the confidentiality of their accounts. KPMG, one of the Big Six, has decided to limit liability through incorporation. It will publish full financial results for the new company.

Mr Ian Brindle, the senior partner at Price Waterhouse, said the LLP simply protected partners personal assets; auditors could still find themselves paying out damages in proportion to their negligence. "But at least now when partners go home at night they can look at the house and know it will still be there in the morning."

Mr John Barnsley, managing partner at Price Waterhouse, said removing partners' personal assets from litigation would have a big psychological effect. "It certainly helps in the poker play – its all about bluff and double bluff."

Price Waterhouse senior partner Ian Brindle (left) with managing partner John Barnsley yesterday

Exports of animals face court challenge

By Alison Maitland in London

The Ministry of Agriculture, already besieged over its handling of "mad cow disease," today faces a legal challenge from animal welfare groups to the export of veal calves to mainland Europe.

The Royal Society for the Prevention of Cruelty to Animals, together with two other leading animal welfare organisations, is seeking to overturn government policy that a unilateral UK ban on calf exports would breach the Treaty of Rome.

The society, Compassion in World Farming and the International Fund for Animal Welfare will ask the High Court in London to refer the case to the European Court of Justice because the case turns on European Union law.

The calf export trada has provoked widespread protests, with demonstrations at ports and airports to try to halt truckloads of calves.

Animal welfare campaigners want Britain to ban the trade. They say the calves are reared in production systems consisting of narrow pens, or crates, which restrict movement. The animals are fed on a liquid milk diet low in iron and roughage to ensure that they emerge with the pale flesh appreciated by consumers in France and Italy.

The ministry argues that a unilateral export ban would break EU law on free trade. But the society says Article 36 of the treaty allnws export bans where the health of animals suffers or where national public morality is offended.

The animal welfare organisations were granted leave in July to apply for a court review of government policy. Britain outlawed vaal crate production in 1990 and has been working to persuade other EU member states to phase oot the system. About 500,000 calves are exported from the UK each year for rearing mainly in France and the Netherlands.

"We're not trying to harm farmers in this country," said Mr Ian Honghton, a lawyer for the society. "If we could get a Europe-wide ban on veal crates, then the trade in calves would be able to continue. Ultimately we'd prefer all live exports to cease, but that's a separate issue."

The European Commission is due soon to publish proposals on veal production.

Delight greets death knell of nuclear expansion

By David Lascelles, Resources Editor

Few mourners stepped forward to bewail British Energy's decision yesterday not to build more nuclear power stations. It cancelled plans to build new stations at Hinckley Point in western England and Sizewell in the east. The announcement was widely hailed as the death knell for nuclear power in Britain.

After a board meeting which one insider described as "very fraught", British Eoergy has in effect called a halt to a technology in which Britain once led the world, and which was supposed to provide the answer to all the nation's energy needs. Instead, nuclear power has become deeply unpopular. Even more fatally for its immediate growth prospects, it has also become uneconomic even though it accounts for a third of all electricity generated in the UK.

Yesterday's news was the culmination of deep-rooted changes in the UK energy scene going back to the early 1990s. Just as the government's pro-competition policies exposed the parlous state of the coal industry three years ago, so, too, has the prospect of next year's privatisation forced nuclear to acknowledge its competitive weaknesses.

Over the past three years the privatised generators, National Power and PowerGen, have pared back their costs. At the same time, the arrival of cheap gas has helped drive down power generation costs. Although Nuclear Electric and Scottish Nuclear, the two state-owned companies which are being combined into British Energy, have also attacked their costs, they have not been able to match the privatised fossil fuel generators.

They have beeu burdened with the construction costs of nuclear stations. A typical N-plant costs five to ten times as much to build as a modern gas-fired plant. They also have to bear heavy costs for disposing of spent fuel and decommissioning their plant after shut-down.

According to advice from BZW, the government's merchant bankers for privatisation, electricity would have to be priced at 2.7 pence (4.1c) per unit to make new nuclear plant viable. For most of this year, the price has been closer to 2 pence with little prospect of an increase because of plentiful gas supplies.

Yesterday's announcement raises an important question. If nuclear power is uneconomic, how can it possibly be privatised? The answer is that much of the heavy debt accumulated by the nuclear power industry will have to be written off by the government. A further question concerns the growth prospects for British Energy if, as it now admits, it will be incapable of financing the construction of new nuclear power stations.

The answer is that its growth will have to lie outside nuclear power. The new name was deliberately chosen to imply a broader sphere of interest. British Energy may go into gas-fired power generation, or buy one of the regional electricity companies.

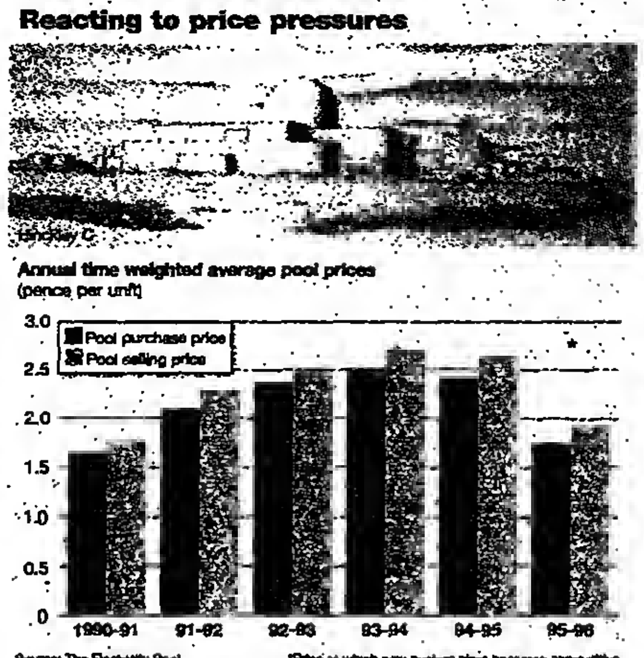
Nuclear power has also pinned its hopes nn two long-term developments: revulsion against the accumulation of carbon dioxide in the atmosphere from the burning of fossil fuels and the start of the time in which oil and gas supplies start to run out.

Wholesale electricity prices have rebounded almost to last week's record levels and are expected to stay high for the next few days, David Wighton writes.

The price in the Electricity Pool between 17h00 and 17h30 today will be £902 ($1,380) per MWh compared with last week's peak of £1,108. The rise has been caused by the cold weather and the temporary shutdown of some of Nuclear Electric's capacity.

The widespread strikes in France, which have disrupted supplies from Electricité de France, have also had a minor impact. EdF bid into the UK pool during the weekend.

Reacting to price pressures



Source: The Electricity Pool

Emu threatens City, says Tory rebel

European monetary union could destroy the City of London as a world financial centre, says Mr John Redwood, our Lobby Correspondent writes. Mr Redwood is the former cabinet minister who in the summer unsuccessfully challenged Mr John Major for leadership of the Conservative party. Ha will argue in a pamphlet published by his Conservative 2000 Foundation that the City would be subjected to a "new type of banking regulation from Frankfurt" which could drive out non-UK banks.

More immediately worrying for British business would be the economic consequences of the policies enforced on it by an independent and democratically unrepresentative European central bank. The cost of tough counter-inflationary policies across Europe could be interest rate rises. Reminding business leaders of the impact of British membership of the European Exchange Rate Mechanism, he warned that the UK would face higher interest rates and higher unemployment "because of the higher past and present borrowing levels of other members of the union".

Mr Redwood will also argue that British taxes will rise as the nation subsidises the poorer countries of Europe. Just as London subsidises Merseyside in north-west England, so the UK would pay more tax for Portugal and Greece. Emu would increase the amount the UK pays to Europe and the percentage of it which is spent outside the country.

"It is by no means clear that European sentiment has built up to the point in the UK where people would want to pay higher taxes in order to cross-subsidise what are at the moment other countries," he writes.

In a speech in London at the launch of the pamphlet Mr Redwood will point out that bringing in a new currency for the 350m citizens of Europe will cost Britain alone around £1bn. Minting and distributing new coins as well as changing all vending and cash handling machines will cost British business millions, and as 80 per cent of them serve an entirely domestic market, "it would be all cost and no benefit for them".

He also questions the impact of locking currencies in the immediate lead-up to monetary union. Mr Redwood says that speculators would be able to take on the central banks, making the system unsustainable.

Britain is to throw open more of its European regional aid hudget to competitive bids next year, Mr Tim Eggar, industry minister announced yesterday, George Parker writes at Westminster. Mr Eggar expects to place at least £160m ($245m) in the pot for next year's round nf "regional challenge", in which public/private sector partnerships compete for EU aid.

"It is no secret that if we had our way we would have gone for a much bigger challenge," Mr Eggar said at a press conference to announce this year's winners. He confirmed that 34 winning bids in England would share a total of £140m this year; a further £20m will be awarded to projects in Wales next month.

The Department of Trade and Industry "top-sliced" around 10 per cent of Britain's total EU aid budget for the competition this year, and is negotiating with the European Commission to increase that level in 1996. The commission was originally sceptical about the UK's proposal to maka regional aid the subject of a competition, hut Brussels is said to have been impressed at the way it triggered innovative bids.

French network to bid for rail company

By Charles Batchelor, Transport Correspondent

SNCF, the French state-owned railway company, could acquire a stake in Britain's privatised rail freight network, it emerged yesterday.

The French railway group, which has been hit badly by strikes in protest at the government's economic reforms, has joined a consortium with a team of UK freight managers to bid for British Rail's heavy freight network.

The involvement of SNCF in a privatised BR network would be politically sensitive, rail industry commentators said yesterday, and could prompt accusations of unfair competition from the private sector because a state-owned company could have its losses subsidised. But SNCF said it could not "remain indifferent" to developments in Britain. "We have an important commitment to traffic through the Channel tunnel," it added.

The third member of the consortium is Associated British Ports, the UK port operator, which confirmed yesterday it would take a 20 per cent stake. The consortium will be led by Candover, the development capital group.

ABP and SNCF have joined the management of Mainline, one of the three regional freight groups created out of BR's heavy haul freight business, Trainload. Mainline declined to comment yesterday.

Mainline, like the two other companiea, Loadhaul and Transrail, put in a final bid for the entire Trainload freight business on Friday.

The UK government is understood to have encouraged all three companies to bid for the entire freight operation. Customers of rail freight fear this could stifle competition.

UK NEWS DIGEST

Cost pressures on industry ease

Cost pressures eased in many sectors of industry last month, according to official figures published yesterday. The trend could bring relief to many companies after the sharp rises in raw material costs nver the past year. The Central Statistical Office said the overall cost of raw materials and fuels purchased by industry rose 6.2 per cent in the year to November. This was the slowest annual increase for over a year, and half the rate seen in January at the peak of the world commodity price surge. Seasonally adjusted, the data showed input prices fell 0.1 per cent between October and November.

More strikingly, lower input prices also appear to be feeding through the business chain. The cost of goods produced by manufacturing rose 4.3 per cent in the year to November, the slowest increase since the summer. Measured without the volatile elements of food, drink and tobacco, the data showed an annual price rise of 4.6 per cent, down from the previous month's rate of 4.7 per cent. Economists remain split about whether this easing of prices at tha start of the business chain will have much immediate impact on retail high street inflation, currently running at 2.9 per cent. Some fear that many retailers and manufacturers will be keen to raise prices if consumer spending picks up in the months ahead, following the squeeze in margins that occurred over the last year.

Gillian Tett, Economics Staff

Airport charges scrutinised

Increases in charges at London's three airports have been referred to the Monopolies and Mergerts Commission by the Civil Aviation Authority. The airports, owned by BAA, are Heathrow, Gatwick and Stansted. The referral is an automatic requirement under the 1986 Airports Act and this is the second tima the commission has been asked to look at the airports' charges. It will examine the cost of landing and parking aircraft and passenger related charges over the five years from April 1997.

The commission will examine the effect of the loss of duty and tax free free revenues from travel from Britain to other European Union countries, which is to be abolished in 1999. It will also look at the airports' capital spending plans, including the proposed fifth terminal at Heathrow, and the valuation of their assets. The commission will also report on whether any of the airports have acted against the public interest since they were last referred in December 1990. It has been asked to report within six months.

Geoff Dyer, Financial Services Staff

Equitas plan wins support

LLOYD'S LLOYD'S OF LONDON

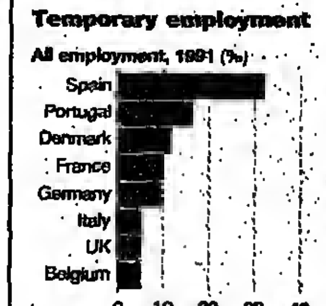
Lloyd's of London will today receive the backing of one of its traditional critics for plans to spin off billions of pounds of liabilities remaining on old policies into a separate reinsurance company, Equitas. The verdict of Chatset, the Lloyd's analyst, will provide an unexpected fillip to Lloyd's recovery programme, which was launched in May this year and – subject to approval by Names – is due to be implemented next spring. Chatset has in the past been among the gloomiest but most accurate commentators on Lloyd's misfortunes.

Equitas is a crucial part of Lloyd's recovery plan because it should finally "cap" the liabilities of Names, including taking over big US asbestos-related and pollution claims. This should allow Names, the individuals whose assets have traditionally supported the market, to leave Lloyd's. In today's report, Chatset warns Names that "the alternative to Equitas is grim". It estimates that Lloyd's theoretically needs to find an extra £10.8bn to bring reserves into line with possible liabilities but accepts that Equitas could dramatically cut that total. Chatset concludes: "We believe there is no better alternative to Equitas but more money needs to be put on the table by those who can afford it."

Ralph Atkins, Insurance Correspondent

Market spurs flexible work

Temporary employment



Source: OECD

At least a quarter of British men of working age (3.4m) and half such British women (more than 5.5m) were either self-employed, held part-time or temporary jobs, or worked from home last year, says the Equal Opportunities Commission. But although the UK's flexible labour market encourages such "non-standard" employment, a number of other countries with more regulated employment systems have a larger proportion of workers in such jobs, says the commission. In 1992 nearly a third of workers in the Netherlands were in part-time employment, with 26.9 per cent in Norway, and 23.5 per cent in both the UK and Sweden. By comparison, 10.2 per cent of French workers and 9.5 per cent of Germans were working part-time. Only 5.3 per cent of workers employed in the UK in 1991 were in temporary jobs, one of the lowest proportions of the labour force in industrialised countries.

Robert Taylor, Employment Editor

Premiers to meet on Ireland

Mr John Major and Mr John Bruton, the British and Irish prime ministers, are likely to meet in Dublin on December 21 to co-ordinate the latest stage in the Northern Irish peace process. Officials said Mr Major's "working visit" would probably be confirmed after the two leaders had consulted in Madrid on Friday or Saturday, when they will be attending the European Union heads of government summit. Both are understood to be anxious to give renewed impetus to the search for a political settlement, and to present a united front, following the IRA's rejection last week of any discussion of "decommissioning" of its weapons. The international body looking at the arms issne will hold its first full sessions next weekend in Belfast and Dublin.

John Kampfner, Westminster

Rise of 12.8% in car sales fails to dispel industry gloom

By Haig Simonian, Motor Industry Correspondent

Registrations of new cars in Britain rose strongly in November for the second successive month, but the increase did little to dispel the gloom in much of the motor industry.

Sales climbed by 12.8 per cent to 143,055 units last month, compared with November 1994, the Society of Motor Manufacturers and Traders reported. The increase, which followed a rise of 11.5 per cent in October on the same month the previous year, has surprised the industry.

Mr Ernie Thompson, chief executive of the society, said last month's improvement appeared "encouraging" at first glance. But he added that the higher registrations "largely result from aggressive marketing initiatives by individual manufacturers to stimulate demand, rather than a sudden return of the feelgood factor following the Budget".

The two consecutive months of higher sales mean registrations In the first 11 months of this year, at 1,873,826, are now almost 2 per cent above the 1,837,896 cars sold in the same period a year before .

Although imports took a marginally lower 53.8 per cent share of the market last month, compared with 55.2 per cent in November 1994, the overall proportion of imported vehicles in the first 11 months of this year grew to 59.2 per cent compared with 57.2 per cent between January and November 1994.

The latest statistics show a stroog performance by Volkswagen, with the main VW brand and Audi selling very strongly. By contrast, some manufacturers were hit by the impending introduction of new cars, which curbed demand for their predecessor models.

Sales at Vauxhall, the UK offshoot of General Motors, dipped in response to the run-off of the Cavalier, which is being replaced by the Vectra. Although Peugeot sales recovered in November, the company has been affected by falling demand for the 405, which will soon make way for the 406 in the UK.

Rover, which has suffered from a sharp fall in sales this year, reversed its performance in November with a 35 per cent jump in registrations. The company's new 400 hatchback leaped into the top 10 charts, coming in third in November behind Ford's Fiesta and Escort. Rover is a subsidiary of BMW.

VW and Audi sales move upwards sharply

REGISTRATIONS OF NEW CARS	Nov 1995 Volume	Nov 1995 Change%	Nov 1995 Share%	Nov '94 Share%
Total market	143,055	12.8	100	100.0
UK produced	66,104	13.0	46.2	44.8
Imports	76,951	10.0	53.8	55.2
Japanese makes	7,122	0.8	5.0	5.6
Ford group	31,354	11.0	21.9	22.3
– Ford	30,779	11.2	21.5	21.8
– Jaguar	575	4.0	0.4	0.4
General Motors	23,001	0.1	16.1	18.1
– Vauxhall	22,170	-1.7	15.5	17.8
– Saab*	831	95.1	0.8	0.3
BMW group	27,114	34.3	19.0	15.9
– BMW	3,259	31.0	2.3	2.0
– Rover**	23,855	34.7	16.7	14.0
Peugeot group	14,597	7.3	10.2	10.7
– Peugeot	9,051	7.3	6.3	6.7
– Citroen	5,546	7.2	3.9	4.1
Volkswagen group	9,936	30.6	8.9	6.0
– Volkswagen	6,422	31.7	4.5	3.8
– Audi	2,211	73.7	1.6	1.0
– SEAT	652	-20.9	0.5	0.7
– Skoda†	651	2.7	0.5	0.5
Renault	7,275	-5.8	5.1	6.1
Nissan	5,918	-13.2	4.1	5.4
Toyota	3,593	3.7	2.5	2.7
Fiat group	4,741	20.5	3.3	3.1
– Fiat	4,524	21.8	3.2	2.9
– Alfa Romeo	217	1.9	0.2	0.2
Volvo	2,457	6.0	1.7	1.8
Mercedes-Benz	2,482	28.8	1.7	1.5
Honda	3,456	23.3	2.4	2.2
Korean makes	2,485	151.3	1.8	0.8

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover Discovery.
†VW holds 31% of Skoda and has management control.
Source: Society of Motor Manufacturers and Traders

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TECHNOLOGY

Mini and microsatellites are quicker to build and cheaper to launch, writes **Geoff Nairn**

Weight loss in orbit

Sputnik, the first man-made satellite launched in 1957, weighed just 84kg, but as man's ambitions in space have grown, so too have the size and cost of the hardware. The Soho solar observation satellite, which lifted off from Cape Canaveral just over a week ago weighs 1.85 tonnes, cost $1bn (£) and took five years to build.

But budget cuts mean juggernauts such as Soho are becoming increasingly difficult for space agencies to fund, and there is a trend towards smaller, cheaper satellites that are quick to build, cheap to launch and, hopefully, less likely to go wrong.

As Sputnik shows, "microsatellites" (10kg to 100kg) are not new. They carry military payloads and scientific experiments into low earth orbit (LEO), and today a lot more sophistication can be squeezed into these tiny payloads.

"Most satellite manufacturers have not taken advantage of the size reductions made possible by microelectronics in the last five years.

"We can now put an entire supercomputer in a Sputnik-sized payload," says Jeff Ward, technical director of Surrey Satellite Technology (SSTL), a UK company owned by the University of Surrey.

SSTL builds microsatellites for companies such as the Anglo-French Matra Marconi Space and small nations that want low-cost access to space. Thailand is the latest customer. For £3m, SSTL will build a 50kg microsatellite, a ground station in Bangkok and train Thai engineers. The satellite will be launched in 18 months and used for earth imaging.

To reduce launch costs, SSTL "piggybacks" its microsatellites on the payloads of big rockets. Last August a Cyclone launcher carried an SSTL-built Chilean ozone-monitoring microsatellite joined to a 1.5-tonne Ukrainian satellite. However, what would have been Chile's first satellite failed to separate from its Ukrainian host and is inoperable. Other piggyback rides aboard the European Space Agency's Ariane 4 rocket have successfully launched SSTL microsatellites for South Korea, Pakistan and Portugal.

The method has drawbacks – the microsatellite is restricted to the same orbit and launch date as the main satellite, but a dedicated launch would cost 10 times the £500,000 needed for a piggyback launch, says Ward.

SSTL is now expanding into the market for larger minisatellites (more than 100kg) which can support multiple payloads and a wider range of applications.

SSTL's new 300kg UoSAT 12 minisatellite will get a dedicated launch at the end of 1996 aboard a Russian Rokot launcher built from redundant Soviet missiles. The minisatellite, for an unnamed customer, costs £5m and the launch a further £1m.


Tony Andrews
'We can now put an entire supercomputer in a Sputnik-sized payload,' says Jeff Ward

Minisatellites will get a boost from the LEO satellite communications networks planned for the next five years by US companies such as Motorola and Loral.

The most ambitious is Teledesic, backed by Microsoft founder Bill Gates and cellular pioneer Craig McCaw. It will spend $9bn on 840 satellites to provide broadband services to fixed sites. The 750kg satellites will circle the globe at a height of 700km with the first launches planned for 2000.

Russell Daggatt, Teledesic's president, says the company plans to cut costs using mass-production techniques and software instead of hardware to realise many functions. Unlike conventional satellites, Teledesics will not need to be very reliable: if a satellite fails, data is routed through its neighbours.

This "distributed" approach allows Teledesic to use cheap, off-the-shelf components, although expensive gallium arsenide chips will be needed for high-speed switching functions. Teledesic will next year announce the contractors selected to build and launch the satellites. Until then, analysts cannot judge whether the project will really fly.

Nasa, short of funds and stung by embarrassing flops with its big satellites, has become a late convert to small satellites. In 1994, it started its Small Satellite Technology Initiative (SSTI) to develop and launch within three years a pair of 200kg satellites for less than $60m each.

A key element is miniaturisation technology borrowed from the ballistic missile industry. Clark, the first SSTI satellite, will be launched next June aboard the Lockheed Launch Vehicle (LLV), a small rocket developed by Lockheed Martin, of the US.

Nasa's New Millenium project aims to launch at least 10 small satellites a year from 2000. They will employ emerging technologies, such as micromechanical devices, to cut weight and costs. On the distant horizon are "picosatellites" the size of an ice-hockey pock.

Minisatellites appeal particularly to nations with limited space budgets. Indonesia and Israel plan to use them to improve domestic telecommunications. Spain will launch its 500kg Minisat 1 in six months to lift three scientific experiments into a 600km orbit. The satellite will be carried by the innovative aircraft-launched Pegasus rocket developed by Orbital Sciences of the US.

The French agency CNES wants to build a 450kg minisatellite to replace the 2.5-tonne Topex-Poseidon oceanographic satellite due to retire in 1999. The original satellite, launched in 1992, was developed with Nasa, but the cash-strapped US agency may not participate this time. CNES thus needs to cut the cost of the follow-on missions to less than a third of the FFr3bn (£) spent originally.

"The mission is important but it would have been very difficult to get funding for another large satellite," says Philippe Escudier, project manager.

The new satellite, Topex-Poseidon Follow-On (TPFO), will use microelectronics to reduce weight and commercial components which, CNES has found, can be more reliable than more expensive components designed for space use. TPFO will use a standard platform that can be reconfigured for future missions, giving a base cost of just FFr100m plus the cost of mission-specific hardware.

The ESA is studying whether a European minisatellite is feasible. Another option is an ESA-funded small rocket, as reliable and economic launchers for small payloads are in short supply.

Chernobyl food made fit to eat

A US company is removing radioactive material from milk and other liquids, writes **Matthew Kaminski**

Long after Chernobyl's fourth reactor exploded and spread a nuclear cloud across Europe 10 years ago, Ukrainians and Belarussians are still exposed to large doses of radiation in foods produced on the rich farm lands around the stricken power plant.

Now an environmental engineering company based in the US state of Georgia, plans to apply its unique waste and ground water decontamination technology to make the food fit for consumption. The technique is currently being used at US nuclear missile and open mine pit waste sites.

Selentec, a private company, has found a way to remove radioactive cesium and strontium from milk, juices and water that preserves the products. The company plans to open a pilot operation in Ukraine next year and then to try to commercially market the technology in other affected countries.

The water treatment process, called Mag-sep, uses tiny particles with large surface areas that can rapidly remove the radioactive element. The particles are made up of plastic resin and a magnetic core. As contaminated water gets mixed with the particles, cesium or strontium are absorbed. The mix is then run through a magnetic filter to separate the clean water from the radioactive waste. The waste is stripped off with acid and the particles are reused.

When Selentec approached Ukraine about the possibility of treating contaminated soil and ground water there, scientists in Kiev asked if the same process could be used for milk.

About 80 per cent of the radiation dose from food in Ukraine comes from milk contaminated with cesium. Children, with their diets rich in dairy foods and their cells quickly changing as they grow, stand the greatest risk of contracting cancer and passing the genetic changes to coming generations.

Milk presented an obvious problem: cleaning might also remove calcium, protein and fat along with the cesium, the active radioactive element most often found in milk. "If we were taking out calcium it would be no good, because you would be left with demineralised milk," says Michael Dunn, president of Selentec and former nuclear engineer at Bechtel. "We did some testing and found we could treat the milk, absorbing just the cesium. It works pretty much the same as our water treatment."

Unlike other cleaning procedures, says Mr Dunn, Selentec's system uses no chemicals or special filters. These would demineralise milk. It also produces little waste, which can be disposed of cheaply by encasing it in glass or cement.

Dunn estimates that the process would add one percentage point to the cost of a carton of milk. The savings would come in improved health care – all types of illness are 30 per cent higher in Ukraine's contaminated zones than in other regions – and reduced waste of bad milk

Preliminary tests at 15 gallons per minute indicate the process can remove 95 per cent of the cesium from milk.

Selentec wants to install a $600,000 (£380,000) machine at the large Ovruch milk factory near Zhytomyr, the capital of a heavily contaminated region in western Ukraine about 100km from Chernobyl, that could clean 50 gallons a minute.

Dunn estimates that the process would add one percentage point to the cost of a carton of milk. The savings would come in improved health care – all types of illness are 30 per cent higher in Ukraine's contaminated zones than in other regions – and reduced waste of bad milk.

Juices and water will also be decontaminated in Ovruch. Water sometimes contains dangerously high levels of strontium, another radioactive element that gets into bones.

Although exposure to radioactive iodine immediately after the Chernobyl accident is believed to have caused a sharp increase in the number of cases of thyroid cancer among children in Belarus, as well as in other affected areas, it has a short half-life and is no longer seen as a threat. Cesium and strontium, however, stay active for around 28 years. Unlike iodine, they are absorbed through foods such as milk or beef.

"This technology has a great future in our country," says Viktor Yanitsky, who runs the health department at Ukraine's food industry ministry, which has agreed to accept certification of the process from the US Food and Drug Administration, a unique concession.

"If the milk today is found to be contaminated, it is unfortunately either destroyed or reprocessed into butter," says Yanitsky.

At Ovruch, the biggest dairy plant serving the two most contaminated zones in Ukraine, the milk is consumed when the baccarel reading (the standard measure of radioactivity) falls below 370 bq per second – up to 1,000 bq per second is considered relatively safe. But over time Ukrainians ingest high doses – in the west milk contains virtually no cesium. The biggest fear centres on the health of children and infants.

Clean dairy products and juices are a start, but Ukraine wants to reduce the high incidence of cancer among children by treating other agricultural products that come from the contaminated lands.

If the project gets off the ground next year, Mr Dunn says, Selentec next wants to test whether strained baby foods, such as carrots or peas before any thickener is added, can be also treated.

LAW

Court decides on treaty rules

EUROPEAN COURT

In a recent judgment on lawyers rights of establishment within the European Union the European Court of Justice ruled that a German lawyer based in Italy was governed by Rome treaty rules on freedom of establishment, rather than those relating to provision of services.

It also said any professional conditions imposed by a host state on a foreign lawyer had to be non-discriminatory, justified and proportionate.

The case arose out of disciplinary proceedings brought by the Milan Bar Council against Mr Reinhard Gebhard.

Although he remained associated with chambers in Stuttgart, since 1978 Mr Gebhard had practised in Italy. Initially, he worked in association with a set of chambers in Milan, but in July 1989 he opened his own chambers. Italian lawyers objected to his use of the title *avvocato*, to his having appeared before Milanese courts using that title and to his having practised professionally from Studio Legale Gebhard. The Milan Bar banned Mr Gebhard from using *avvocato*, and brought disciplinary proceedings, resulting in his suspension from practice. He appealed, relying on the directive governing the provision of services by lawyers in the EU.

The Italian national Bar Council stayed the disciplinary proceedings and referred the case to the European Court.

The court first considered whether his case was covered by the rules in the treaty on provision of services or those on the right of establishment.

Having pointed out that the provisions on services were subordinate to those on the right of establishment, and that a person could be established in more than one member state, the court ruled that services had to be temporary, which should be determined by looking at their duration and frequency or continuity.

The fact that the provision of services was temporary did not preclude the provider from having some form of office in the host member state, but nonetheless Mr Gebhard's situation was stable and continuing, and fell within the rules on right of establishment.

The Milan Bar argued that a person could not be regarded as "established" in a member state without belonging to the relevant state professional body, or at least operating in collaboration with members of such a professional body.

However, while the European Court accepted that membership of the local Bar could be a condition of being allowed to do certain types of work, membership could not itself be regarded as a constituent element of establishment.

The question whether it was possible for a foreign national to exercise his right of establishment, and the conditions for exercising it, had therefore to be determined in the light of the activities that person intended to pursue.

The court then turned to the legality of national rules. It concluded that where the taking-up or pursuit of a specific activity was subject in the host member state to certain qualifications, or the membership of a professional body, a national of another member state intending to pursue that activity had in principle to comply with those conditions.

However, national measures liable to hinder or make less attractive the exercise of fundamental freedoms guaranteed by the treaty had to be applied in a non-discriminatory manner, justified by imperative requirements in the general interest, suitable for securing their objective, and not go beyond what was necessary in order to attain it.

In applying national provisions, member states could not ignore the knowledge and qualifications already acquired in another member state. They had to take account of equivalent diplomas and, if necessary, proceed to a comparison of the knowledge and qualifications required by their national rules and those of the person.

C-55/94 Gebhard v Consiglio dell'Ordine degli Avvocati e Procuratori di Milano, ECJ FC, November 30 1995.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Citibank plucks Canada's Smee

Citibank has an appetite for ex-finance ministers. In 1992 it hired Onno Ruding, the former Dutch finance minister, to be one of its vice chairmen. Now it has plucked the new boss of its sovereign-risk management team out of Canada's finance ministry. Douglas Smee, 53 (pictured above), assistant deputy finance minister of Canada, and from 1992 to 1994 the country's executive director at the IMF, has joined Citicorp as a senior vice president responsible for sovereign-risk management. Smee, who replaces the recently retired Jack Guenther, will report to vice chairman William Rhodes.

Rinnooy Kan for ING

Alexander Rinnooy Kan, chairman of VNO-NCW, the Netherlands' biggest business federation, is to join the board of ING Group, the financial services company.

The surprise appointment comes more than a year after Rinnooy Kan, 46, turned down an offer to become minister of economic affairs in the Dutch cabinet formed in August 1994. The Dutch press greeted the announcement with speculation that he is the "heir apparent" to take over from Aad Jacobs, 59, as ING chairman, when he retires. ING said talk of Jacobs' successor was premature.

Rinnooy Kan, who is a past economics professor and vice-chancellor of Erasmus University in Amsterdam, has been chairman of VNO-NCW since 1991. The move to the ING board, scheduled for sometime in the summer, fills a vacancy arising from the retirement of Herman Huizinga.

Volvo's new broom

Tuve Johannesson, the new chief executive of Volvo Car Corporation, has wasted no time putting his stamp on the organisation. Tomas Svensk, who had been recruited from Electrolux as the marketing chief, has left after less than a year and Johannesson has taken a tighter grip on the commercial side of Sweden's biggest manufacturer.

As part of the reorganisation Johannesson has made Sven Eckerstein (pictured), executive vice president for technical issues, his new deputy. Stellan Flodin, head of quality staff, and Magnus Kinell, head of IT, will now report to Eckerstein. Hans Gustavsson, head of product and process engineering, takes on additional duties within this area and joins Volvo's 11-strong executive committee.

Johannesson has made clear that he sees his first management reshuffle as paving the way for the next generation of Volvo's leaders. *William Hall*

Reynolds tobacco boss

RJR Nabisco, the US tobacco and food group, has made Pierre de Labouchère, 41, president and chief executive of R.J. Reynolds Tobacco International, its overseas cigarette business. He succeeds Anthony Butterworth, 58, who is leaving the company.

De Labouchère, French born, is a graduate of the Hautes Etudes Commerciales business school in Paris. He joined RJR Tobacco France in 1980 as a senior product manager and worked his way up to become president of RJR's Eastern Europe, Middle East and Africa region.

In his new position, de Labouchère faces the task of restoring life to R.J. Reynolds' flagging international business, where it is running a distant third to Philip Morris of the US and Britain's BAT Industries. *Richard Tomkins*

Jardine Fleming India

The Sandhurst class of '74 is proving a rich seam for Jardine Fleming's three-year-old India operations. Both Mark Bullough, who set up the firm's Bombay office, and his newly-appointed successor as Jardine Fleming India Securities' managing director, Roger Davis (above), were cadets at the British military officers' school that same year.

The sheer organisational feat of establishing that office in Bombay's exhorbitantly-priced business centre is, Davis happily acknowledges, not the least of his predecessor's achievements. Jardine Fleming was the first foreign financial institution to secure a seat on the Bombay stock exchange. It now has four India-dedicated funds, a total of around \$800m under management in India, and an expanding Indian staff of 170, of whom just seven are expatriates.

Davis was previously chief executive officer of Robert Fleming's global investment banking in London. He says he aims to consolidate Jardine Fleming's investment banking, fund management and cross-border m&a activities and exploit what he says is already the biggest international distribution network for Indian equities through the group's worldwide offices. *Mark Nicholson*

Treasurer for GM

General Motors has chosen the chief financial officer of its General Motors Acceptance Corporation subsidiary to be its new treasurer. John Finnegan, 46 (left), has stepped into the gap left by the unexpected resignation of Heidi Kunz, the highest ranking woman at the US car giant. Kunz, 41, has joined ITT Industries as chief financial officer. Finnegan, who has a MBA from Ruthers, began his General Motors career as an analyst with GMAC in New York. GM has not yet announced his replacement.

ON THE MOVE

■ Thomas Kennedy replaces Karl Engels as president and chief executive of HOECHST CELANESE CORPORATION from January 1. Engels moves to Munich as chief executive of Wacker Chemie. Kennedy, who joined the company in 1966 as a sales trainee, will retain his responsibilities as head of Hoechst's global basic chemical division, which includes Hoechst Celanese Chemical Group.

■ Yves Barbé, deputy managing director of AUTOMOBILES PEUGEOT, has taken on the chairmanship of Panhard, the group's military vehicles unit. Barbé, who retains his role at Automobiles Peugeot, succeeds Tristan d'Albis, who has been appointed French ambassador to South Africa.

■ Mark Burrows, executive chairman of Baring Brothers Burrows & Co, succeeds Alex Morokoff as deputy chairman of TELESTRA CORPORATION, Australia's state-owned telecommunications group. He will serve for five years and David Hoare, the current chairman, has been reappointed for a further two years.

■ Walter Hasselkus, 53, becomes a full member of the BMW management board from January 1, increasing board membership from six to seven.

■ Paul Breach has resigned as president, Europe and Africa, of SEAGRAM's spirits and wines business, due to major policy and management changes. Breach is replaced by Martin Frost, 45, who was executive vice president, business development and strategic planning.

■ Martin Laws, 51, rises from financial director to managing director of CANON (UK), in succession to Yukio Yamashita, who is returning to Japan. Yamashita has built up the UK operation from an annual turnover of £13m when he joined, in 1980, to £436m last year and a staff of over 2,570.

■ Alain Belda becomes vice chairman of ALUMINUM CO. OF AMERICA. Frank Lederman, vice president, research, development and engineering, assumes the duties of chief technical officer, a position formerly held by Peter Bridenbaugh, who will concentrate on his automotive responsibilities.

■ Freek Nijdam has been appointed ATLAS COPCO's senior executive vice president for construction and mining technique. Nijdam, born in the Netherlands, started with Atlas Copco 26 years ago and is presently president of the applied compressor & expander technique division. Prior to Nijdam's appointment, responsibility had been divided between executive vice presidents Giulio Mazzalupi and Bengt Kvarnback.

■ Professor Adrian Pagan, an academic from the Australian National University, has replaced Professor Bob Gregory on the board of the RESERVE BANK OF AUSTRALIA.

■ Fritz Holzey has been appointed HAINDL PAPIER's managing director for production and technology, with effect from January 1. He joined Haindl in 1967.

■ Pat Duignan has been appointed general manager finance for TELECOM CORP OF NEW ZEALAND. Duignan has been head of the New Zealand Debt Management Office, director in the Investment Banking Division of CS First Boston New Zealand and first secretary (economic) at the New Zealand High Commission in London. He has recently been an independent consultant to Electricity Corp of New Zealand.

■ V. Subrahmanyam and J.R. Prabhu have been appointed executive directors of the RESERVE BANK OF INDIA, following the retirement of O.P. Sodhani and S.N. Razdan. Subrahmanyam was chief general manager for RBI's internal debt management and Prabhu the chief general manager of banking operations and development.

■ Adriano Passardi, 53, and Dominique Morax, 47, have been appointed to the enlarged corporate executive board of ZURICH INSURANCE COMPANY. Passardi assumes responsibility for the controlling and management services division, succeeding Heinrich Wirth, who retires at the end of the year. Morax, currently manager of the investment department, takes on responsibility for the recently created fund and asset management business division.

■ Madame Sum Nipha has been appointed deputy governor of the NATIONAL BANK OF CAMBODIA, replacing Chulong Somura, who resigned on September 13. Sum Nipha had worked for the Banque Rivaud in Paris, for several years.

■ Mitchell Mandich, 47, is to be vice president of worldwide sales at NEXT COMPUTER and a member of the company's executive management team. Before joining NeXT, Mandich served as senior vice president of Americas sales and Marketing at Pyramid Technology.

■ Joseph Magliochetti becomes president of DANA CORPORATION from January 1. He has been Dana's president for north American operations since 1992, and will now take on additional responsibility for European operations. Southwood Morcott, who has been president since 1986, continues as chairman and ceo.

■ Brent Ballantyne has resigned from the UK's HILLSDOWN HOLDINGS following his appointment as chairman, president and ceo of Beatrice Foods, a leading Canadian food manufacturing company. Ballantyne was formerly ceo of Maple Leaf Foods, which was sold by Hillsdown in April.

■ Steven Peras has joined CREDIT SUISSE NORTH AMERICA to manage its foreign exchange and precious metals activities. Peras joins from Republic National Bank of New York, where he had been responsible for foreign exchange operations in New York and Singapore.

■ Yu Xinyang has succeeded Xu Fangjie as chairman of SHANDONG HUANENG POWER DEVELOPMENT CO. He was deputy director of Electric Power Bureau of North-East China. Shandong Huaneng was the first Chinese electric power generator to be listed on the New York Stock Exchange, in August 1994.

■ Patrice Marteau has taken over from Bernard Yoncourt as company secretary of Pinault-Printemps-Redoute, the French retail group.

■ CREDIT LYONNAIS has appointed Pierre Rivière, a member of the COB bourse watchdog, as independent ombudsman to deal with customer complaints.

■ Michael Levin, 53, succeeds David Shute, as general counsel of SEARS, ROEBUCK, from January 1. Levin is a partner of Latham and Watkins in Chicago.

■ Jean-Michel Steg, 42, has left Lazard Freres et Cie to be head of corporate finance in Paris for BZW, the investment banking arm of Barclays Bank.

■ Gordon Humphrey has resigned as a director of W. R. GRACE & CO.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

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ARTS

Drawn to figure and form

William Packer reviews two exhibitions of sculpture

Since so much of what now passes for serious modern sculpture amounts to little more than the re-presentation – hy assemhlage, installation or even simple appropriation – of given material, it is good to he reminded that close reference to the human form was once the modern sculptor's prime imaginative stimulus. *Of the Human Form* at the Waddington gallery shows us that to a surprising extent it still is – although attitudes to knowledge and technical accomplishment have clearly changed.

There is no statement of curatorial intention in the catalogue, hut a quotation from Henry Moore is given in the hand-out. "In my opinion, long and intense study of the human figure is the necessary foundation for a sculptor... A moderate ability to draw will pass muster in a landscape or a tree, hut even the untrained eye is more critical of the human figure – because it is ourselves." The point is inescapeahle in the exhibition whether intended or not.

For on the one hand we have the work of those modernist generations, from Degas and Rodin, Matisse and Picasso, Lipchitz and Lehmbruck, Giacometti and Moore, even down to William Turnbull, which, for all their differences and degrees of abstraction remain in the essential tradition of looking and making. On the other hand, we have the rest: all, with but the rarest exceptions, thrashing ahout, this way and that.

Here is a small Degas study of the nude, close in pose to the "Small Dancer", with hands on hips and hreasts thrown forward. Close by is a Lehmbruck torso, that at once harks back to the classical model and forward to art-deco formalism. Here too is Giacometti's attenuated bust of Diego, and Turnbull's tiny yet monumental abstracted head, teased and smoothed ont of a mere lump of clay. All are modelled, all realised with a deep understanding of what the figure is, as it lives and breathes.

But should such quiet triumphs then be set with such things as Bruce Nauman's black and yellow wax heads, cast from life, the one sticking his tongue up the other's nose? Is it any use to compare Rodin'a crouching woman, so vigorously felt, and Antony Gormley's mannikin, cast from himself, hunched up with his arms round his knees, with all form hlurred and generalised, no detail risked? A life-cast is an evasion of the prohlem of realising the figure, not its resolution.

Gormley and Nauman are perhaps wise in their evasion, for when their contemporaries try something less automatic, the result is cynical where it is not embarrassing. Poor Julian Schnabel, how pompous he is in his ineptitude, his head of his "Jacqueline" as ill-modelled as it is pretentious. Penck and Baselitz have done nothing more than hack away at lumps of wood. What business have these supposed heads to be in the same room as that of "Jeannette" by Matisse?

As for de Kooning's play-pen exercises and Barry Flanagan's grotesque caricature of Lisa Lyon, with one arm withered, the other long enough to reach tha floor, wa come back to Henry Moore. "The human figure is most complex and subtle and difficult to grasp in form and construction, and so makes the most exacting form for study and comprehension." And there is the little Degas to put their unthinking ignorance to shame.

Of these latter-day moderns, only Mimmo Paladino, with his masked and painted hieratic figures, emerges with real credit. His work is at least well-informed, the carving or modelling honest and unaffected. Though his work may be simple and formalised, we do feel that he, with Moore, has looked long and hard at the figure, studied and comprehended.

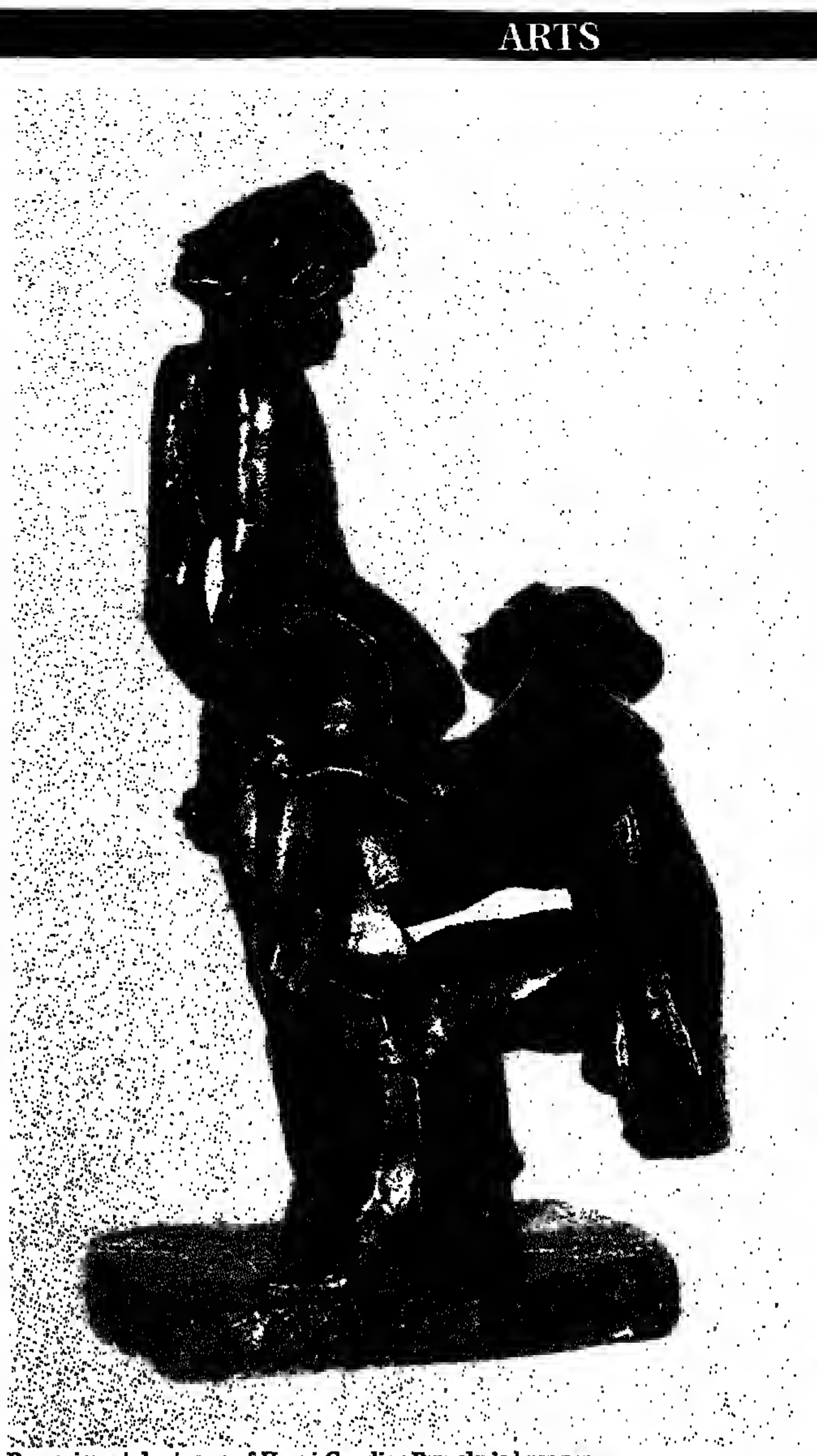
★

Across tha road at Mercury, Henrl Gaudier-Brzeska is remembered in a show of sculpture and drawings. He was a young Frenchman of precocious talent who came to live in London before the first world war. He went back to join up, and was killed on the Western Front in 1915, aged 24. He was a great loss quite as much to British as to French art – for ha had been active and influential in his time in London, with his interests in the primitive and the symbolic, and what he knew of the currency of sculpture in Paris.

What we find here is a young artist working in several ways at once, looking now to the primitive, now to cubist abstraction, now to a romantic symbolism. And all the time the work is founded in the constant, vigorous practice of drawing from the figure.

Such understanding informs all the sculpture, though it has nothing of the looseness and freedom of the drawings. There is a calm simplicity to the sculpture, whatever the image, and a atately rhythm to its organisation – all balance and order. The demonstration, no less than at Waddington across the road, is that from that "long and intense study of the human figure", all else follows. For us it is all so moving "because it is ourselves."

Of the Human Form: Waddington Galleries, 11 Cork Street W1, until December 22. Henri Gaudier-Brzeska: Mercury Gallery, 26 Cork Street W1, until December 23.



Precocious talent: one of Henri Gaudier-Brzeska's bronzes

Ballet/Clement Crisp

Mr Worldly Wise

With a choreographer as gifted as Twyla Tharp, we heed every step, follow where she leads. These pages have charted her progress for 25 years, from brave iconoclast to grandly assured maker of dances for both modern and classical troupes. Her choreography has ever seemed dazzling, bold, and it has often shown a concern with the establishing of order from chaos, with action on that fine balance between security and disintegration.

In this she is a figure of our time: we see in society, as in art, the difficulty with which the line holds. Tharpian dance has raced with dizzying verve, hnt has not over-halanced. Tharpian skill has fused disparate elements – rag-time and Haydn; family drama and bravura steps – and made us believe and rejoice in what she has done.

So, faced with the three acts of *Mr Worldly Wise* which she has made for the Royal Ballet, and which had its first performance on Saturday night, I went with happiest anticipation. What I saw is difficult to qualify save as vastly disappointing. The theme, or rather the point of departure, is Rossini, whose music is used throughout. The piece is not biography. Rossini's life – from worldly success when young, by way of reclusive middle years to final serenity in Paris and the productioo of those works he called "Sins of old age" – serves as parahle of an artistic journey, which may even be seen to reflect on Tharp's own career.

The result, though, is a ballet both gauche and unconvincing. Tharp's ingenuity in the first act is undeniable. Irek Mukhamedov, in tattered dress, is the eponymous worldling (shock-haired, driven by tearing steps, playing the role at us like a great clown) with Tetsuya Kumakawa (also in tatters, cork-screwing in prodigies of hravura: Tharp relishes his flashing technique) as "Master Bring the Bag", who is servant, shadow, apprentice, jester. Mukhamedov is goaded by success, haunted by his creations, facing mental breakdown. The score comprises early overtures, late vocal music. Amnsing costumes – the piece is cleverly designed by David Rogers – and some skittish dances for vegetables (Rossini wrote a piano prelude entitled "Ugh, Peas!") and zany operatic characters, lend a joking edge to events. Yet Mukhamedov is so compelling an artist, and the dance for him and for Kumakawa is so taxingly hrilliant, that we accept the entire act as a piece of legerdemain whose significance will be clear later on.

Not, alas, so. The second act finds Mr Worldly Wise escaped from the frenzy of his career and the spiritual darkness it has engeodered (or so an effusive programme-note advises). He is in "a realm of order and proportion and community and grace". He is, to put it bluntly, in a ballet company. Ranks of white-clad dancers. Darcey Bussell – identified, dear Heaven, as Mistress Truth on Toe – who has flitted through the first act, represents everything that Mr Wordly Wise desires. He plainly does not desire an interesting performer, because Bussell, in a little ice-blue satin frock, gives the sort of interpretation you might expect from a girl thus costumed. (I kept looking for the skates).

It is one of the many sadnesses of this ballet that Bussell's gifts have so escaped Tharp. Cast as a Muse, Bussell is given dull academic evolutions which she performs as if in a trance. Her companions – led by Leanne Benjamin (who tries to enliven things) and Deborah Bull, Stuart Cassidy and William Trevitt – are trapped in an interminable to-and-fro of classic amahilities, shot through with occasional twitches of "amusing" distortion.

In earlier works – *The Little Ballet*, *Brahms Handel* for New York City Ballet – Tharp created lively academic ensembles. For the Royal Ballet, using a too-generous selection of Rossini's late piano works, not notahle for their vivacity, she has made politeness a way of being. Time seems as numbered as the pallid choreography.

The last act, reconciling Mr Worldly Wise with his identity, starts with a sketchy Second Empire promenade of vestigial crinolines, bonnets, toppers and rhubarbing gesture. (Massine, where art thou?) There is much sweetness and light on offer. Mukhamedov is given a big, expressive solo when Worldly Wise again finds himself alone on a darkened stage, facing his destiny. Vegetables and operatic phantoms re-appear, but Worldly Wise flees, racing towards better things (a different ballet?) while Master Briug the Bag sets about taking over his identity. The curtain falls.

Thus *Mr Worldly Wise*. It is a work so puzzling, so prolix, that I find it hard to reconcile with anything Twyla Tharp has done before. I thought it sentimental, disjunct, uncertain in manner. It is misjudged in its components – the grab-bag of Rossini music does not hold together – and has an oddly sanctimonious air, as if Tharp were receiving messages from the beyond. And, despite the power of Mukhamedov's presence, it nowhere seems coherent. Inside this over-hlown affair there is a clever one-act ballet waiting to get out. Too late. Too late.

Concerts/Adrian Jack

'MultiMusic' festival

The Place Theatre, austerely functional home of contemporary dance, occasionally puts on concerts. MultiMusic was a ten-day festival of new music hosted by Piano Circus and covered their kind of sharply-platterned mnsic (Steve Reich, Graham Fitkin) as well as jazz, easy listening and all kinds of music of uncertain pedigree.

More than half the evenings were shared, presumably to break down barriers between different audiences. On Monday, pianist-composer Errolyn Wallen had a nice personality and can sing in a passahle jazz/rock falsetto, but her talents as a composer are slim; only the last song of her set, "Hurricane of Love", had much force, though not as much as its title.

Later, the Radio Science Orchestra turned out to be an eight-piece band of posers, creating an entertaining, Glen Baxter-like mix of nostalgia and humour. Suavely suited Bruce Woolley crooned pleasantly and pretended to play the electronically warhling Theremin, famous from Hitchcock's film *Spellbound*. There was a breathy-voiced soprano, Darby Brown for sugar-frosting, a harpist for a touch of class, a spunky drummer for a bit of rhythmic backbooe, and a white-coated computer boffin for laughs. Andy Visser brought off some stylish embellishments on saxes and flute, and all the arrangements, not clearly credited in the programme, were elegant.

On Wednesday, the jazz trio Infinitum shared a long evening with the Kreisler String Orchestra. Infinitum's composer and pianist Nikki Yeo pitched her introductory patter at five-year-olds and called her compositions "tunes". They were far too sophisticated for that, with tensely elaborate, Latin-based syncopations and liberated harmony to the point of becoming atonal.

The complex switches of mood and heat were tightly worked out between her, the drummer Keith le Blanc and Michael Mondesir on bass guitar. A piece called *Solo Gemini* began with Yeo and Mondesir in unison, outlining a complex melodic line in unpredictahle note values that was almost a 12-note series. Yeo need not have explained the musical argument of "Dance of the Two small Bears" in playtime terms – surely the music was aimed at more intelligent listeners – but the snappy, gestural flourishes of "Dougall's Dream" were quite funny when smudging out the dialogue of a children's TV show – a trivial *jeu d'esprit* to end a pretty demanding set. Nikki Yeo will decide on her own future, but I would find her punchy keyboard style more exciting if ruled by a simpler, more rigorous harmonic grammar.

The Kreisler String Orchestra fielded nine violinists, three viola-players – all standing in a semi-circle – with two cellists and a bass, seated in the centre, and a keyboard/percussionist in two minimalist "classics": Arvo Part's *Cantus in Memoriam Benjamin Britten* and John Adams's over-long *Shoker Loops*. They played without a conductor, and with more enthusiasm than finesse, but Zoran Eric's *Cartoon* was an effective, simple piece of chug-chug neo-classicism, and Javier Alvarez's *Metro Chabacano* of 1987 a real winner, with a catchy, suavely dipping melody over a neat ostinato accompaniment tracing a well-structured harmonic journey. Throughout, The Place's stage managers twiddled with coloured light, including, for a good few minutes in *Shoker Loops*, a lurid orange bathing the players and white floodlights glaring straight into the audience's eyes, just like a motorway nightmare.

Musical/Ian Shuttleworth

The World Goes 'Round

John Kander and Fred Ebb are probably the greatest current exponents of the American musical, with the exception of Sondheim. However, the opening night of this compilation show was a slight case of "Hamlet without the Prince".

Director Jude Kelly's pre-curtain announcement was that Michelle Dixon, whose laryngitis had reduced her to miming through the previews, would tonight attempt a few of her numhers. Even reduced to a husk of its full-throated self, it is evident that Dixon haa a remarkable gospel voice which, when restored, could see off all-comers, and fully justifies casting this relative unknown in the central role.

But herein lies the problem. *The World Goes 'Round* is 100 per cent song and dance: characterisations and relationships are to be inferred from the musical programming. With a clutch of Dixon numbers reassigned to Fiona Hendley and former Wham!-ster Pepal Lawrie Demacqne, this dramatic house of cards collapses: it becomes impossible to unravel who is supposed to be confiding in or lamenting over whom.

It remains an expertly assemhled entertainment, building up to finales of *Cabaret* and *New York*, in Acts I and II respectively. Hendley and Glyn Kerslake are aeasoned musical performers – the former concentrating on grinning kookiness, the latter more versatile in mood and delivering the most bitter rendition of *Mr Cellophane* I have ever heard.

Pianist and musical director Warren Wills and his rhythm section are joined by florid flamenco guitarist Estehan Antonio to produce a Hispano-jazz hybrid which is at times bizarre hut far from unpleasant. RJC Dance Theatre Company supply a complement of fluid movement, for the most part of a jazz-contemporary nature.

Comprising as it does three distinct groups, tha company takes some time to gel; only early in Act II, with the title song from *Kiss of the Spider-woman*, do the dancers get their first opportunity to do much more than simply augment the songs. But a definite camaraderie does emerge, and one consisting of more than Kelly's directions to the performers to cheer one another on. Nevertheless, Dixon's indisposition deals a heavy blow to narrative coherence. Demacque in particular is uncertain where to put herself on the nightcluh set during one or two newly-acquired songs.

On this showing, it is impossihle to judge the evening except by the *Song by Song*... standard it seemed so determined to transcend. By those standards it is a fine ahow, though not a momentous one; perhaps in a week or two, andiences will see the more delicate structure that was obviously intended.

At the West Yorkshire Playhouse, Leeds, until 20 January (0113-2442111).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Orlando Kwartet: with cellist Boris Pergamenschikow perform works by Beethoven, Boccherinl and Schubert; 8.15pm; Dec 14
JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● Dave Holland: solo performance by this double bass player; 9pm; Dec 14

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Habá-Quartett: perform works by Lachenmann, Ablinger, Reich and Sciarrino; 7.30pm; Dec 13
OPERA & OPERETTA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Reinhard Hagen, Kurt Streit and Friedrich Molsberger; 7pm; Dec 16
Staatsoper unter den Linden
Tel: 49-30-2082861
● Hänsel und Gretel: by Humperdinck. Conducted by Fabio Luisi and performed by the Staatsoper unter den Linden. Soloists include Bernd Zettisch, Uta Priew, Dagmar Pecková and Laura Aikin; 7pm; Dec 13, 16

CHICAGO

OPERA & OPERETTA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● The Makropulos Affair: by Janácek. Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Catherine Malfitano, Kim Begley, Tom Fox and John Duykers; 7.30pm; Dec 13, 16

COLOGNE

OPERA & OPERETTA
Opernhaus Tel: 49-221-2218240
● Elektra: by R. Strauss. Conducted by James Conlon and performed by the Oper Köln. Soloists include Hanna Schwarz, Gabriele Schnaut, Eva Johannson and Andrea Trauboth; 7.30pm; Dec 13, 16

EINDHOVEN

CONCERT
Muziekcentrum Frits Philips
Tel: 31-40-2442020
● Schoenberg Ensemble: perform Schoenberg's "Das Buch der hängendan Gärten" and works by Kurtág; 8.15pm; Dec 13

FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Christine Schäfer: accompanied by pianist Graham Johnson. The soprano performs songs by Zelter, Schubert, Mahler, Berg and Schoenberg; 8pm; Dec 15

GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● Royal Scottish National Orchestra: with conductor Vernon Handley and violinist Tasmin Littla perform Mendelssohn's "Hebrides Overture", Bruch'a "Scottish Fantasy", Nielsen's "Helios Overture" and Sibelius' "Symphony No.5"; 7.30pm; Dec 14

LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Weihnachtsoratorium (Part 1, 2 and 3): by J.S. Bach. Performed by the Gewandhausorchester and the Thomanerchor, conducted by Georg Christoph Biller. Soloists include V. Hruba-Freiberger, R. Lang, P. Schreier and M. Göme; 5pm; Dec 15 (7.30pm), 16, 17
DANCE
Oper Leipzig Tel: 49-341-1261261
● The Sleeping Beauty: a choreography by Scholz to music by Tchaikovsky, performed by the Leipziger Ballett and tha Gewandhausorchester; 3pm; Dec 13

LONDON

AUCTION
Christie'a Tel: 44-171-8399060
● Russia at Christie's. Important Icons, Russian Pictures, Works of Art and Fabergé: highlights of the sala include a previously unknown portrait of Boris Pasternak painted by his friend Iurii Annenkov, a draft nf Alexander Pushkin's poem "Over the hills of Georgia lies an Evening Mist" and a landscape drawing by Mikhail Iur'evich Lermontov; 10.30am & 3pm; Dec 13
Phillips Tel: 44-171-6296602
● Oriental, European and Art Nouveau Ceramics: including Chinese porcelain flasks and vases, and Chinese templa carvings; 11am & 2.15pm; Dec 13
CONCERT
Barbican Hall Tel: 44-171-6388891
● London Symphony Orchestra Chamber Players: perform works by Telemann, Bach, Mozart and Brahms; 7.30pm; Dec 13
St. John's, Smith Square
Tel: 44-171-2221061
● Choir and Orchestra of St. John's, Smith Square: with conductor John Lubbock, bass Stephen Richardson, violinist Jonathan Rees, flutist Lenore Smith, trumpeter Mark Bennett and oboist Melinda Maxwell perform axcerpts from Handel's "Messiah", works by Pachelbel and J.S. Bach, and carols for all; 7.30pm; Dec 13
Wigmore Hall Tel: 44-171-9352141
● Sally Burgess: accompanied by the pianists Philip Thomas and Neal Thornton. The soprano performs works by Chabrier, Canteloube, Debussy and others; 6pm; Dec 13
MUSICAL
Olivier Theatre Tel: 44-171-9282252
● A Little Night Music: by Sondheim. Directed by Sean Matthias. The cast includes Judi Dench, Laurence Guittard, Patricia Hodge and Siân Phillips; 7.15pm, Dec 14, 16 also 2pm; from Dec 13 to Dec 18 (not Sun)
OPERA & OPERETTA
Royal Opera House - Covent Garden Tel: 44-171-3044000
● Tosca: by Puccini. Conducted by Simone Young and performed by The Royal Opera. Soloists include Maria Ewing, Giuseppe Giacomini, John Dobson, Harry Dworchak, and Jeremy White; 7.30pm; Dec 13

MARSEILLE

CONCERT
Cité de la Musique Marseille
Tel: 33-91 39 28 28
● Autour de Henri Purcell: special programme devoted to Purcell, commemorating the death of the composer 300 years agn. With soprano Brigitta Peyre, mezzo-soprano Mireille Quercia, flutists Catherine Duval and Xavier Walczak, viola-player Danièle Alpers and Christine Lecoin on harpsichord; 8.30pm; Dec 15

NANCY

CONCERT
Opéra de Nancy et de Lorraine
Tel: 33-83 85 30 60
● Orchestre Symphonique et Lyrique de Nancy: with conductor/pianist Stephen Kovacevitch perform Mozart'a "Symphony No.29", "Piano Concerto Nn.25" and "Symphony No.40"; 8.45pm; Dec 14, 15

NEW YORK

CONCERT
Auditorium of The Metropolitan Museum of Art Tel: 1-212-879-5500
● Beaux Arts Trio: perform works by Hummel, Adolphe and Schubert; 8pm; Dec 15, 18

PARIS

CONCERT
Institut Néerlandais
Tel: 33-1 47 05 85 99
● Weihnachtsoratorium: by J.S. Bach. Performed by the Amsterdam Baroque Orchestra and Amsterdam Baroque Choir, conducted by Ton Koopman. Soloists include soprano Barbara Schlick, mezzo-soprano Elisabeth von Magnus, tenor Guy de Mey and bass Klaus Mertens; 8pm; Dec 14
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Katia & Marielle Labèque: with pianist Gonzalo Rubalcaba. Tha pianists perform works hy Ravel, De Falla, Albéniz and Rubalcaba; 8.30pm; Dec 13

SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall
Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Michael Tilson Thomas and cellist Steven Isserlis perform the overture to Rossini's "Semiramide", Haydn's "Cello Concerto in D major" and Adams' "Harmonielehre"; 8pm; Dec 13, 14 (2pm), 15, 16

WORLD SERVICE

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Europa · Dominique Moïsi

Costly way to change

The present strikes reflect the fact that France is suffering from a triple crisis: of the state, of politics, and of society

As the wave of French strikes enters its third, and possibly final, week the people of France – and above all Parisians – are entitled to ask whether there are less costly ways of demonatrating France's distinctiveness.

Everyone is asking what the origin of the present crisis really was. Did it stem from the anachronistic resistance of trade unions and others to long overdue and vital reforms which were put off under two consecutive Socialist presidential mandates? Or does it represent the revolt of a desperate and proud people against the technocratic disdain of its rulars?

Once again, France is surprising both itself and its neighbours and partners. The latter may admire the French people's ability to marshal their opposition to unpopular proposals. But they are mainly worried about the consequences of the unrest for the future of the European Union.

In 1968, General de Gaulle's ambition to promote an international role for France as an intermediary between east and west was stymied twice – first by May's student revolt, then by the Soviet invasion of Czechoslovakia in August. The events of May weakened France from within; those of August highlighted the limits of any possible rapprochement between the two halves of Europe.

In 1995, what is at stake in the streets of Paris and the main provincial cities, is not just the future of France and its margin for manoeuvre on the international stage; it is the future of the EU itself. If irrationality prevails and the strikes linger on, France will be unable to join the single currency, which will mean the end of economic and monetary union. Furthermore, the weakness of France's position would seriously threaten the stability of the Franco-German relationship. How did we reach this sorry pass?

At the start of its mandate in May, prime minister Alain Juppé'a government was faced with a number of challenges. It needed to stimulate adequate economic growth while engineering a significant reduction in unemployment; it needed to keep inflation low and to cut the public-sector deficits while preserving as much as possible of the welfare state; and it needed to satisfy a still rigidly corporatist society while acknowledging the convergence criteria of monetary union as set out in the Maastricht treaty.

For many years France lived beyond its means. The post-second world war economic boom is long gone and the social security system that depended on constant economic growth is bankrupt. Reform had become absolutely essential. A majority of French people accepted that an overhaul – which, in the government's view, would require control of the system to be passed from the unions to the French parliament – was inevitable.

But this did not mean that the government had *carte blanche* to impose its chosen solution. In a complex society, rational choices can prevail only if they are preceded by pedagogy, not demagogy.

Instead of calmly trying to make public opinion ready for tough measures, after the manner of US President Franklin D. Roosevelt and his fireside chats, which prepared Americans for the US's entry into the second world war, Mr Juppé's government gave the impression first of ignoring, then of seeking to pander to, French public opinion.

The French behave towards their state in the same way that adolescents behave towards their parents: switching abruptly between rebellion and submission

Public resistance to the Juppé plan is based on more than a stubborn refusal to bow to indispensable reforms. It is a reflection of society's desire to enter into dialogue with the government it elected. The present strikes, therefore, reveal a triple crisis: a crisis of the state, of politics, and of society.

If France is more affected by the need to move away from the concept of tha welfare state than other European and western countries are, it is because the state's role is more central in France than anywhere else. The French nurture contradictory feelings towards their state. They criticise its heavy-handedness and inefficiency. But they also appreciate the reassuring presence of its protection.

The way the French behave towards their state is similar to the way adolescents behave towards their parents: switching abruptly between rebellion and submission. Only a minority really wants a minimalist "business friendly" state.

The political crisis is most readily apparent in France's political alite. Most of its members are graduates of the Ecole Nationale d'Administration (ENA), the prestigious but stifling and conformist public service training school.

These political technocrats in their plush corridors never learnt to appreciate the need for social dialogue, nor how to govern in a genuinely democratic environment, in which all citizens expect to be treated as equals. Today the French are beginning to criticise this technocratic elite, and to question whether it is truly efficient, in a manner reminiscent of their ancestors who questioned the role of the nobility at the end of tha *ancien régime*.

If those who embody the state at its highest level cannot find answers to unemployment and social injustice, peopls are asking, why should they enjoy an exclusive status and virtual immunity from accountability?

Because the elite schools such as ENA hold what is almost a monopoly in French decision-making, graduates of these schools attain positions of responsibility at an early age. They lack not only work experience "in the field", but also the required maturity and modesty which only time and the test of government can provide.

Lurking behind these crises of the state and of politics is a far deeper social malaise which can be summarised as a lack of hope for the future. In May 1968, tha French were bored, the weather was beautiful and the state was rich. In autumn 1995, the French are depressed, it is cold and the state is poor and in debt. The young who have not yet entered the workforce and the wage earners who worry over the future of their pensions are bound together by a common fear about what the future holds.

When he proposed his reforms, Mr Juppé did not understand the psychological and social depth of these fears. Only now, three weeks into the strike, has he begun to address them.

France is in the midst of a crisis of transition. It is turning from a welfare state living beyond its means into a modernised state learning to live with modest means. Yet the present crisis is in keeping with the French political tradition whereby *le peuple* can only engage in reforms while flirting with revolution. There must be less costly ways of transforming society.

The author is deputy director of Paris-based Institut Français des Relations Internationales. He writes here in o personal capacity

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Time for the independent director tigers

From Mr Peter M. Brown.

Sir, Tom Benyon, chairman of the Guild of Shareholders (December 9) calling for tigers not toadies as independent directors, highlights another problem: time.

The Cadbury and Greenbury reports lay extra responsibilities on independent directors and as a consequence many companies are now limiting main board executive directors to one outside directorship.

However, Mr Benyon wants these formal responsibilities extended to include assessing overall board conduct; appraising business as well as financial controls; considering market announcements and having a specific responsibility to private shareholders.

Many of these responsibilities already rest with the chairman and our recent research for Russell Reynolds highlights the increased effectiveness of independent directors when the board is led by a part-time non-executive chairman.

Mr Benyon could have supported Greenbury and required all quoted companies to separate the role of chairman and CEO, but calls for independent directors to spend even more time in that role could impair their critical contribution, their own independence.

It will further restrict the number of working directors available for the role, and in our experience, estimable though retired executives or partners are as independent directors, the best and most demanding remuneration, audit and nomination committees also include active executives.

They are usually highly respected by their executive colleagues, limit their role to major issues, insist (because of their own schedules) that meetings are crisp and effective and in extremis can use the threat of resignation with greater effect.

Peter M. Brown,
chairman,
Top Pay Research Group,
Upper Ground Floor,
9 Savoy Street,
London WC2R 0BA, UK

A fashion for laziness of intellect

From Mr Andrew Campbell.

Sir, Mr William Wallace (Letters, December 7) should not believe all he reads in newspapers.

Journalists who describe business actions, like conglomeration, as being in or out of fashion, demonstrate *their intellectual laziness* rather than their intimacy with the decision-makers.

Business decisions are driven by ambition and constrained by economic realities. We have known for at least 10 years that more than half of acquisitions fail to create value for the acquiring company. Hence, all deals are examined closely by institutions, who normally hold stock in both companies.

Unless the new management team can present a case for why it is likely to do better than the old, the deal will not go ahead. The decision has little to do with short or long-term issues.

Instead of reacting to prattle, Mr Wallace would do better to study the arguments put forward by Forte and Granada and decide for himself whether he thinks the institutions make the right decision.

Andrew Campbell,
director,
Ashridge Strategic Management Centre,
17 Portland Place,
London W1N 3AF, UK

Directors of small companies on Tecs

From Mr Chris Humphries.

Sir, The figures quoted by the shadow small business minister in your article "Tec Boards not representative" (November 27) are neither accurate nor complete, and thus do not withstand scrutiny. At least half the Training and Enterprise Councils named by Barbara Roche as having *no* companies with directors from small businesses on their boards in fact have one or more.

In particular, Dorset Tec, Heart of England Tec, and Southern Derbyshire Tec each have two companies with less than 10 employees, while North London, Sandwell, Cumbria and Thames Valley Tecs each have one such director.

Three of the named Tecs have substantial membership schemes or are merged with chambers of commerce, and thus are accountable to members. The directors of their boards must be a matter for decision by their members, not lobby groups or parties.

Finally, with *only 10* private-sector directors on their boards, Tecs cannot hope properly to reflect the breadth of business interests in their local communities by board membership alone.

Tecs have therefore established a wide range of consultative structures by which they consult and engage with small businesses, including sector-based advisory boards, liaison with chambers of commerce, small companies advisory groups, employer councils with representatives from all sizes and sectors of businesses, and focus groups of companies based on geographical location.

In addition, Tecs have funded and supported the establishment of Business Links for the delivery of business services.

Chris Humphries,
director of policy and strategy,
Tec National Council,
Westminster Tower,
3 Albert Embankment,
London SE1 7SX, UK

An engineering penalty

From Professor David Blockley.

Sir, Your report "Entente cordiale" (December 5) outlined the new scholarship scheme agreed by Mr John Major and Mr Jacques Chirac at their October summit. The scheme'a objective is to place 40 French and Britons in each other's universities and management schools. The report went on to state that French *grandes écoles* have problems with the exchange of engineering students because the standard three-year UK degrees are shorter than the continental equivalents.

In Bristol University, in common with other top engineering schools we introduced four-year courses for all students precisely because we want our graduates to compete on equal terms with their European counterparts. This is not, however, in accord with government policy which disapproves of the lengthening of degree courses. This policy leads to top engineering schools receiving a financial penalty for competing effectively in Europe.

Professor David Blockley,
dean of engineering,
University of Bristol,
Queens Building,
University Walk,
Bristol BS8 1TR, UK

Federalism on the line

From Mr John Parfitt.

Sir, To abandon the task of providing the legal framework for one of the central safeguards of British capitalism to an offshore legislature would be both negligent and absurd (leader, December 8). Indeed, and it applies to more than auditors' responsibilities. Can we now expect a change to your relentless Eurofederalist line?

John Parfitt,
St Andrews,
New Street,
Painswick,
Glos GL6 6UN, UK

Marketing · Diane Summers

Battle of the opinion pollsters

The Gallup brand name is at the centre of a global struggle

Gallup, one of the most famous international names in opinion polling, is in the divorce courts. What started as a small-scale domestic dispute has escalated into a full-blown legal row, with an argument over custody of the Gallup name at the heart of the battle.

Gallup v Gallup recently fought the first round in the High Court in London. However, according to Ms Meril James, secretary general of Gallup International, one of the parties involved, the dispute "isn't only about the UK but is symptomatic of the global struggle for ownership of the brand".

The story starts with Dr George Gallup, a founding father of opinion polling, who, says Ms James, "was more of a boffin than a businessman". As Mr Justice Robert Walker, the judge in the UK court case, put it: "Dr Gallup was interested in opinion polls as an instrument of democracy. He was not, it seems, greatly concerned with maximising commercial returns or securing intellectual property rights."

Dr Gallup, an American, born in 1901, became known between the wars as a pioneer of scientifically representative sampling to forecast voting patterns. Gallup polling companies sprang up in several countries, including the UK, France, Australia and India. Mr Norman Webb, Ms James's predecessor, recalls that Dr Gallup never asked for any kind of franchise or royalty.

The US Gallup operation became what is now the Gallup Organisation, which, after Dr Gallup's death in 1984, was acquired by the Clifton family. Last year it was a $100m business, with wholly owned subsidiaries (including some of the original Gallup offshoots) operating in 20 countries.

In the 1940s, soma of the Gallup companies around the world started meeting each year as the International Association of Public Opinion Institutes. This grouping evolved into Gallup International, a kind of worldwide trade association. New members joined during the 1950s and 1960s, some with the Gallup name, others without. All this was, apparently, with Dr Gallup'a encouragement and approval.

By the end of the 1980s, relations between the Gallup Organisation and Gallup International were deteriorating. Arguments about the registration and use of the Gallup name, particularly in the UK, became vitriolic by the early 1990s. In 1992, the Gallup Organisation left Gallup International.

Meanwhila, the Gallup Organisation had been buying companies overseas, and in May last year acquired 60 per cent of Gallup UK, much to the disappointment of Gallup International, which is London-based though registered in Switzerland. Until then, Gallup UK and Gallup International had shared premises and personnel.

During the summer the US company acquired the remaining 40 per cent of Gallup UK. Gallup International has a rule that only one market research company in each country is allowed to belong to the association; the membership decided that the UK company, now US-owned, should not remain in the association and voted, instead, to admit Taylor Nelson AGB, the UK-quoted market research company. There is no question of Taylor Nelson changing its name to Gallup, but being part of Gallup International gives it access to tha network of member companies around the world.

By September, the Gallup Organisation had issued a writ against Gallup International and Taylor Nelson, and tried to get an interim injunction to restrain them from using the Gallup name in the UK. It failed in the recent High Court hearing, but the matter is expected to go to a full hearing in the next few months.

Ms James describes the handful of previous Gallup v Gallup cases around the world as "bush fires", which have either been put out before they reached court or have resulted in inconclusive verdicts. The UK case, she hopes, will indicate where the rights to the name belong.

While all this has been going on, the loss-making Gallup UK has been experiencing a period of turmoil and restructuring under its American ownership. Mr Robert Nielsen, the managing director brought in from the US after the acquisition, says the culture and techniques used by the UK operation are being brought into line with the rest of the organisation worldwide. Gallup UK "technologically was not up to speed", and has since been linked by computer with the rest of the network.

Gallup UK had lost contracts to compile music charts. Mr Nielsen therefore decided to close down or sell to staff the charts side of the business, which led to redundancies. However, computer games manufacturers, which had contracts with Gallup for the compilation of their charts, threatened legal action if the charts were not produced during the crucial pre-Christmas period. Charts staff have since been re-employed on temporary contracts. Mr Nielsen says a sale of the charts activities is now "very close".

Two of the directors who sold their shares in the business to the US management are moving to other duties, with one reporting directly to the parent company and the other acting as a consultant on a number of special projects.

A former managing director, Mr Gordon Heald, started a rival market research company called the Opinion Research Business. Formerly a 40 per cent stakeholder in Gallup UK, Mr Heald says he has taken a substantial amount of Gallup's business with him.

Mr Nielsen of Gallup UK is confident that new contracts are in the pipeline and the restructuring and move of premises will mark a new beginning. The company has just won a contract measuring customer satisfaction for Citibank Europe in several European countries.

But for several months ahead, at least, fellow pollsters are registering a "don't know" on how the family feud will shake out.

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FINANCIAL TIMES

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Tuesday December 12 1995

Israeli security and the Golan

Last month's attempt to kill the Middle East peace process by assassinating Israeli prime minister Yitzhak Rabin has so far backfired: Israel has speeded up the handover of the main West Bank towns to the Palestinians, and both the Israelis and the Syrians have signalled their willingness to restart their peace talks, which all but collapsed in July.

Mr Rabin's successor, Shimon Peres, was yesterday due to discuss ways of breaking the Israeli-Syrian deadlock with President Bill Clinton in Washington. It is to be hoped that what are billed as new Israeli proposals are realistic, and that Syria will respond positively. If the Israeli-Palestinian accord is and will remain the core of the Middle East peace process, it is no less true that the overall prospects for an enduring regional settlement depend on getting Syria into the peace camp.

This summer's talks between the two sides, arranged by the US, were purely about the security arrangements to follow Israel's withdrawal from the Golan Heights, captured from Syria in 1967. Yet Israel has still not given the commitment Syria wants – to surrender all the Golan in exchange for open borders, full diplomatic relations, and regional co-operation.

Multi-track approach

Mr Peres is understood now to be thinking of a multi-track approach, whereby withdrawal, "normalisation" and security would be discussed simultaneously, in the hope that advances in any one area would help break ground in the others. This approach produced results in the successful peace negotiations with the Palestinians and with Jordan. But in those cases, as in this, great political determination was needed to get around the main difficulties on both sides. Sensitive US mediation will be essential. That is the task ahead of Mr Warren Christopher, US secretary of state, dispatched to the region by Mr Clinton, yesterday.

One problem is that Syria wants all its land back before "normalisation", whereas Israel wants a period of normal relations before giving up all of a strategic position from which it can – literally – keep an eye on Damascus.

Both sides want iron-clad security guarantees. The Syrians want equal depth of troop withdrawal from the Golan, whereas Israel says Syria, by far the larger country, should withdraw further. Israel also wants to keep an early-warning station on the Golan after withdrawal. This demand caused the breakdown in July's talks. None of these issues is easy to resolve, especially because Israel worries about the sort of regime that might succeed Syrian president Hafez al-Assad, whose health has been in question.

Foreign presence

Yet Mr Peres' multi-track approach looks promising, with a number of provisos. Syria will want to hear what the Israeli premier tells the Knesset on his return from Washington, and whether this amounts to the intention to withdraw fully from its land. Second, Syria is adamant that there will be no foreign presence of any sort on its soil, which means hopes that Israel might accept a US early warning station on the Golan are misplaced.

But the US can underwrite an eventual peace deal by offering both sides surveillance of troop movements from the air, and by offering to defend Israel in the event of Syrian attack – Mr Peres and Mr Clinton are expected to discuss the possibility of a formal US-Israel defence pact at the Washington talks. Yet Israel still needs to state publicly that it will return the Golan if its security needs are met.

As a hopeful sign, the two countries were present at the EU's Barcelona conference last month and both voted for the Euro-Med aid and trade programme, a strategy posited on peace. Syria's presence in Barcelona reflected its need to rejoin international markets and come in out of the diplomatic cold. But equally, if Mr Peres could get a peace with Syria, this would enable him to go into next October's Israeli elections greatly strengthened. He might even bring the polling date forward if a breakthrough with Syria came early enough. Both sides have incentives to start anew.

No more nuclear power

No new nuclear power stations are likely to be built in the UK for a couple of decades, if ever. That is the essence of yesterday's announcement by British Energy, the company formed recently out of the most commercial bits of Nuclear Electric and Scottish Nuclear, which is now being groomed for privatisation.

British Energy is indisputably right that there is currently no economic case for new stations; indeed, the mystery is that its directors maintained the opposite position for so long. But conditions that would once again make nuclear power attractive are easily imaginable, and both British Energy and the government should ensure that the nuclear option remains accessible.

British Energy has decided to allow its planning consent for a new station at Hinkley to lapse, and not to apply for planning consent for another station at Sizewell. One reason for this step may be the desire to simplify the description of the company's prospects ahead of sale. But in doing so, it acknowledges that there is currently no commercial case for new nuclear stations.

For years, the price of electricity in the UK has been declining, owing to the falling price of gas and the existence of spare capacity in power generation. Some argue that the present structure of the electricity industry, which stems partly from the government's previous, failed attempt to privatise nuclear power, has encouraged the building of too much capacity. As British Energy points out, there is currently no reason to build any power stations. Whatever the truth of that, the liberalisation of the generating market means that nuclear will be judged against other fuels on commercial grounds, whenever new stations need to be built.

Future cash flow

That is a test it will fail for a long time. Sizewell B alone, which produces about an eighth of British Energy's output, cost more than £2bn. Yet investment houses expect the whole company to be sold for scarcely more than that sum, so low is the value of the expected future cash flow. True, the UK nuclear industry has kept construction costs unnecessarily high by repeatedly changing the design of power stations. But even though it has now settled on the Sizewell PWR design, British Energy estimates that the price of electricity in the wholesale market would have to rise by at least 16 per cent for a new nuclear station to pay its way. Even then, a gas-fired station might still be a cheaper proposition.

Enthusiastic embrace

Three things could make nuclear power seem attractive once again. The first would be a rise in the price of gas, but that is not imminent. The second – again, not in sight – would be a sharp fall in the cost of nuclear technology. That could occur through technological improvements in other countries: Asia, in particular, is embracing nuclear power with enthusiasm. But one of the UK nuclear industry's favourite justifications for government subsidy – that it was equipping the UK with world-class expertise and technology – has largely been disproved.

The third development that could restore the industry's fortunes is growing international concern about global warming, paradoxically, given many environmentalists' opposition to nuclear power. Global warming is thought to be caused by burning fossil fuels, such as coal and gas. If governments take the threat seriously, then a carbon tax, to discourage the use of gas and coal, is one tool close to hand. That would increase the appeal of nuclear power. Despite the extensive claims made by environmentalists for the potential of solar or wind power, nuclear power is at present the only credible alternative to fossil fuels.

For that reason alone, the government and generators should not rule out a return to nuclear power in making plans for decommissioning old stations and for storing radioactive waste – the most contentious issues to be settled ahead of privatisation. But provided that precaution is observed, yesterday's move is welcome. It means that support for uncompetitive producers in one of the UK's most important industries is coming to an end.

Paper dinosaurs refuse to fold

Despite the emergence of new electronic media, predictions of the imminent demise of US newspapers are greatly exaggerated, says Tony Jackson

These are hard times for the US newspaper industry. Detroit's two daily newspapers have been embroiled in a vicious strike since the summer. Times Mirror, owner of The Los Angeles Times and a host of other publications, is sacking workers in their thousands. Several of its papers, including the respected and award-winning New York Newsday, have been shut.

For the rest of the world's press, this might seem an omen. The US is the home of electronic media. In an on-line world, the printed newspaper can seem painfully old-fashioned. Will America be the first society to witness its demise?

Perhaps, but not just yet. The industry's upheavals are mainly a response not to its future, but to a traumatic downturn in the early 1990s. The rest of the decade, analysts suggest, could bring a revival. Further ahead, the advent of electronic media might prove as much an opportunity as a threat.

The newspaper slump of 1991-92 – perhaps the worst in the industry's history – was "a wake-up call", says Mr Miles Groves, chief economist at the Newspaper Association of America. Bear in mind, he says, that US newspapers typically depend on advertising for 75 per cent of their revenue – considerably above the international norm.

This makes the industry inherently cyclical, since advertising revenue fluctuates more with the economy than circulation revenue does. Also, newspapers' share of national advertising has been in decline since the mid-1970s. But in the booming 1980s, this was disguised by the fact that advertising was growing in relation to the economy as a whole.

In the recession of 1991, national advertising contracted and newspapers continued to lose share. The result was a 6 per cent drop in newspaper advertising revenue, which slashed profits at some big media groups and sent others into loss.

By 1994, advertising was picking up again. However, the cost of newsprint – the chief raw material – – had started to double.

In response, publishers have been pushing up their cover prices – by an almost unprecedented 10 per cent this year, according to Veronis, Suhler, the New York investment bank and media specialist. Inevitably, this has dented circulation; and while the rise in newsprint prices is slowing, it may not be over yet.

Nevertheless, there is room for optimism. Mr Kevin Lavalla of Veronis, Suhler points out that next year brings both a presidential election and a US-staged Olympics, both of which are good for newspaper revenue.

Demographic trends are also favourable, with postwar baby boomers moving into their late 40s. In the US as elsewhere, newspaper reading has become a characteristic of the middle-aged and elderly.

As a result, Mr Lavalla predicts, the fall in US newspaper circulation should slow to 0.2 per cent a year from now until the end of the decade, compared to 0.6 per cent over the past five years. And advertising revenue should rise by almost 5 per cent a year, he says, compared to 1 per cent on average in the earlier period.

But if the next few years look healthy, what of the next century? The long-term trend, after all, is one of decline. Since its peak in the mid-1970s, daily newspaper circulation is down about 6 per cent, and the percentage of the population reading a daily paper is down from 73 per cent to 62 per cent.

At the same time, the number of US cities supporting more than one newspaper has fallen from 94 in the late 1950s to 36 this year. The decline in daily sales is partly offset by a modest rise in Sunday sales. But given the industry's reliance on advertising, the dominant fact is that its share of the advertising cake has dropped from 30 per cent in the mid-1970s to 23 per cent today.

In this context, the advent of electronic media might seem doubly threatening. The communications revolution, we are assured, is having an impact on society equivalent to that of the Industrial Revolution. In a world of digital information, the physical newspaper is forecast to go the way of the parchment scroll.

Some observers of the US industry are less sure about that. Newspapers have survived the advent of radio, which made them a day out of date, and of television, which brought news to life with moving images. The newspaper format, despite its gradual decline, is plainly robust.

It also has some technological advantages. As one US academic puts it, think of it in terms of a computer. It can be booted up instantly, simply by picking it off the doorstep. Its pages can all be downloaded instantly with a flick of the wrist. It is light and portable, does not mind being dropped and does not need a power source. Electronic media will challenge all that in time, but not yet.

At the same time, electronic media are still chiefly limited to text. That too will change, but it arguably gives newspapers a head-start over competing media such as television. As Miles Groves of the newspaper association points out, some 150 US newspapers at the last count have web sites on the Internet. "Newspapers won't just stand back and watch the Internet," he says. "We'll be part of it."

If newspapers could pull this off, it would help to address their most fundamental problem: the fact that while their readers are enviably affluent, educated and middle-class, they are getting old and not being replaced in sufficient numbers. The Internet offers newspapers a chance to address a computer-literate younger generation. If they do not take advantage of it, they have only themselves to blame.

This leaves open the question of whether their product will take a physical or digital form. From the proprietors' viewpoint, this may not matter much. Either will do, given the crucial proviso – still hotly debated and unresolved – that they can charge as much for digital advertising.

From a journalist's viewpoint, the physical versus digital argument is partly irrelevant as well. The physical newspaper will doubtless survive. But just as print journalism was radically changed by the advent of radio and TV, so it will be by the Internet.

Just what forms journalism will eventually assume cannot yet be predicted. However, some would say the changes are already under way.

Professor James Carey of the Columbia School of Journalism points a strain of sensationalism – what he calls "yellow journalism" – in both newspapers and TV. "The last stage of yellow journalism in the US was at the turn of the century," he says. "That was also when the industry was up for grabs."

Then, he argues, newspapers were being transformed by the advent of the high-speed press – which made mass circulation possible – and the emergence of mass advertisers in the form of the new retail chains. Now, he says, "the disorder in the communications industry generally means no-one knows where they're going. That very instability has driven the industry into a sensationalist mode."

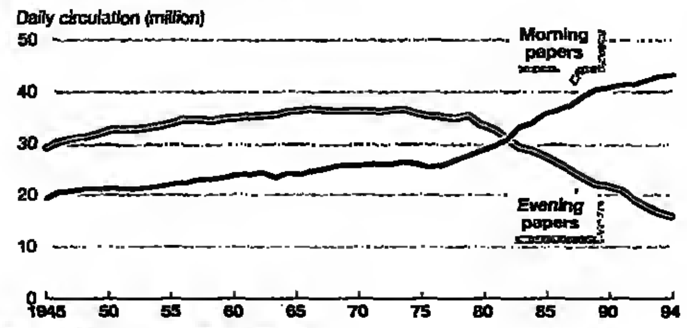
Prof Carey does not expect this phase to last. First, the audience tires of new sensations fairly rapidly. Second, the process of upheaval in communications will not last for ever. "But there's a media ecology as all these things adjust to one another," he says. "You get all kinds of funny hybrids as the process goes through."

When stability returns, he expects newspapers to remain a significant part of the system. In part, he says, this is because their readers mostly belong to local communities, and newspapers play a part in holding those communities together. "As long as newspapers remain anchored in that tradition, they will play an important role – even if it's smaller and more elite."

For the rest of the world's press, however, this suggests that the US model may be of limited relevance. In a country with 240m inhabitants, the US press is astonishingly fragmented. Of its 1,500-odd dailies, 1,300 have circulations of less than 50,000, and only four – the Wall Street Journal, USA Today, the New York Times and the Los Angeles Times – have more than 1m.

In other countries where newspaper circulations are bigger in proportion to the population, the battle of the media will doubtless play out differently. But the general principle seems clear: the printed newspaper – inky, quirky and a day behind with the news – is not dead yet.

US newspaper circulation



Source: Editor & Publisher International Yearbook

· OBSERVER ·

Don't get too wound up

■ It's later than you think. The Doomsday Clock, which appears each month on the cover of that action-packed publication Bulletin of Atomic Scientists, was reset three minutes closer to midnight at the weekend, as experts darkened their view of how close the earth is to all-out nuclear war.

The clock was last reset in 1991, when the cold war ended and editors of the University of Chicago-based Bulletin demonstrated their optimism by setting the clock at 17 minutes to midnight – its farthest point from nuclear holocaust in the publication's history. The clock has been as close as two minutes to midnight, at the height of the nuclear arms race in 1984.

Why have we all moved closer to Armageddon? The expert view is that while superpower conflicts are less likely to trigger a nuclear war, regional struggles and an abundance of loose plutonium could lead to nuclear terrorism.

As he reset the Doomsday Clock last Friday, Leonard Rieser, board chairman of the Bulletin, noted that Russia and the US still own more than 35,000 nuclear weapons, with the Russian gear under less than ideal security. There are ample global stockpiles of uranium and plutonium. And, added a gloomy Rieser, no new arms reduction treaties are in the works and neither the US or Russia has signed the Start II arms reduction treaty.

Heigh-ho

■ Will Günter Rexrodt, Germany's economics minister, hang on to his job, after all? A few days ago it seemed Rexrodt faced the chop on Thursday, when the Free Democrat party will discuss which of its leading lights should join Chancellor Helmut Kohl's cabinet. Now Wolfgang Gerhardt, FDP chairman, reckons that a vote of confidence – given to Rexrodt last week – should last.

Mind you, there are contrary signs. After all, Rexrodt is conspicuously absent from the cartoon illustrating this year's FDP Christmas card. It shows a gang of four FDP notables scaling a cliff. Last year, Rexrodt was one of the happy band...

Yellow ribbon time

■ Word is that Stuart Eizenstat, US ambassador to the EU, is about to return to Washington to become under-secretary of commerce. It would be a natural switch. A methodical operator with an almost touching faith in the inevitability of closer European integration, he's made many friends in Brussels, where he recently wrapped up the transatlantic accord on closer political, trade and economic ties between the US and EU.

Colleagues at the Commerce Department will notice a change in style between Eizenstat and his irrepressible predecessor Jeffrey Garten, who combined a flair for big ideas with a healthy appetite for self-publicity. A former White House domestic policy chief under Jimmy Carter, Eizenstat is a trade lawyer by temperament and training. His encyclopaedic knowledge of domestic politics and Congress could prove useful to the administration in a presidential election year. And if Ron Brown steps down as commerce secretary next year, who knows – maybe Eizenstat could land the top job.

Lo point reached

■ T S Lo, the Balliol-educated lawyer with aspirations to become Hong Kong's first post-colonial governor, has always enjoyed good fortune. But his latest stroke of luck – exchanging his UK passport for a Chinese one – has embroiled him in a row. After the 1997 handover, Chinese in Hong Kong will get a Chinese passport bearing the words "special administrative region of Hong Kong".

Yet when Lo was a loyal servant of the UK – he was a member of the governor's Executive Council, or cabinet – he stoutly advocated British passports for Chinese born under the UK flag. So outraged was he at the 1984 Joint Declaration, which sealed Hong Kong's fate, that he resigned from government. Times, of course, change.

Hard cheese

■ If you're going to a contract signing at Greece's industry ministry, take a packed lunch. The advice comes from Biomagn, a Greek company which has been negotiating to pay Dr1.35bn ($5m) for Skalistiri, a mining concern put up for sale under the ministry's privatisation programme.

The Biomagn team turned up at 10am on Wednesday, intending to sign on the dotted line and leave. They had forgotten the ministry lawyers' reputation for splitting hairs. They departed – exhausted – at 8pm, with the job only half-done; though signed, the contract still requires parliamentary ratification.

Better make that several packed lunches.

What a cracker

■ Good and bad news on the French yuletide front. The good is that Father Christmas and his 40 secretarial assistants in the post office are busily responding to letters from hopeful children. The bad is that, thanks to strikes by other postal workers, many replies won't arrive it in time for Christmas. It's the thought that counts.

The Financial Times

100 years ago

Anglo-Argentine Bank
The Chairman, in moving adoption of the report, said their business in Buenos Ayres was improving. The accounts presented would have been far better but for a heavy bad debt incurred in Monte Video through the failure of a well-known firm. They had purchased new freehold premises in Buenos Ayres from the Baring trustees for £27,500, their former premises being altogether unsuitable, and, so far as could be seen, they had made a good purchase. This would reduce their expenses by £500 a year now paid for rent.

50 years ago

Tin position in Malaya
Some idea of the task confronting the tin industry in Malaya in its efforts to repair the material damage caused during the Japanese occupation is revealed by the publication of the first authentic news from the Tin Inspection Committee operating on behalf of the Malaya Chamber of Mines. Of the 126 dredges inspected, the statement reveals that even by August next year only about one-third are expected to be in operation. The industry has a clear claim for compensation for damage occasioned by "scorched-earth" policy or direct enemy action.

FINANCIAL TIMES
Tuesday December 12 1995

Agreement initially aimed at German cable market

Consortium strikes deal for TV 'set-top' decoders

By Michael Lindemann in Bonn and Emma Tucker in Brussels

A group of leading German and French companies yesterday agreed on a standard for "set-top boxes", which decode television signals to allow telebanking, home learning and shopping, video on demand and other interactive TV services.

Multimedia Betriebsgesellschaft (MMBG), a consortium which includes Deutsche Telekom, Veba and Bertelsmann of Germany and the French media group Canal Plus, said the agreement was initially aimed at Germany, Europe's biggest cable and satellite television market, but had implications beyond that.

The deal ended months of secretive wrangling. "We are well on the way to creating a European standard for interactive television," said an executive from one of the shareholder companies. Apart from Germany, shareholders in the consortium are active in France, Spain and Italy.

But it remained unclear last night whether the European Commission was likely to approve the new venture, which would dominate the German market and have significant repercussions for the development of interactive television throughout Europe. Officials in Brussels said they expected more information about the new venture shortly.

Last year, Mr Karel Van Miert, the competition commissioner, rejected a similar attempt by Deutsche Telekom, Bertelsmann and the German media group KirchGruppe to create a standard for set-top boxes, arguing that it would dominate the German, and by extension, European market.

Since then, some of the biggest names in the German telecommunications and media industries have been arguing over how to construct a new consortium.

The deal they have reached is a setback for Mr Leo Kirch, the media mogul who owns KirchGruppe, which controls several German television channels. He has launched a set-top box and recently said he would produce 1m to corner the German market. He has now agreed to pool his set-top box technology with MMBG.

Veba, the energy-based conglomerate which is Germany's biggest private cable television company, yesterday indicated it hoped to take a 25.1 per cent blocking minority stake in MMBG and that together with Deutsche Telekom it would control 51 per cent of MMBG.

● Standards for interactive television in Europe are being defined by Digital Video Broadcasting (DVB), an industry group comprising 180 European broadcasters, manufacturers, telecoms operators and regulators. It includes the members of the MMBG consortium and is chaired by Mr Peter Kahl, head of multimedia at Deutsche Telekom.

Social Democrats widen lead as Austria prepares for polls

By Eric Frey in Vienna

Austria's voters yesterday appeared set to decide against a feared sharp turn to the right as the final opinion poll to be published before Sunday's parliamentary elections suggested a firming of support for the Social Democratic party.

The survey, published by the weekly Profil, showed the Social Democrats widening their lead, with 34-36 per cent, against 26-28 per cent for the conservative People's party and 23-25 per cent for the rightwing Freedom party of Mr Jörg Haider.

Such an outcome, which would give Mr Franz Vranitzky another term as chancellor, would be a setback for Mr Wolfgang Schüssel, the People's Party leader, who forced the elections by withdrawing from the coalition with the Social Democrats.

The Social Democrats have run a lacklustre campaign but appear to have held on to their core constituency of older and lower-income voters by promising to preserve most social welfare programmes. They have also appealed to moderate voters by highlighting the possibility of a rightwing coalition of Mr Schüssal and Mr Haider.

Mr Schüssel left the coalition in October when Mr Vranitzky rejected proposals for sharp cuts in social apending which Mr Schüssel said were necessary to bring the country's budget deficit in line with the convergence criteria for European monetary union.

The Social Democrats have also managed to win back some voters who deserted them for the Greens at the last election. The Profil poll showed support for the Greens continuing to fall from nearly 10 per cent last month to 6-7 per cent.

This puts them on a par with the centre-left Liberal Forum, which is benefiting from the sober eloquence of its leader, Ms Heide Schmidt. The Green leader, Ms Madeleine Petrovic, has been disappointing in telsvision debates.

Mr Vranitzky has said he would prefer to revive the nine-year-old coalition with the People's Party after the election, but to include one of the smaller parties, most likely the Liberals.

Mr Schüssel has set the agenda for most of the campaign and has come across best in television debates. Even if he only gains second place, he might still have the option to form a coalition with the Freedom party or set up a minority government with parliamentary support from Mr Haider on some specific issues.

But such an arrangement looks less likely after Mr Haider sharply criticised Mr Schüssel's austerity programme.

Survey, separate section

Samsung

Continued from Page 1

International Electronic Device Meeting in Washington.

Samsung has overtaken Japanese and US competitors to become the world's leading producer of Drams, which are essential components of all types of computers. Worldwide Dram sales are expected to top $30bn this year, up from $23bn in 1994.

A shortage of Drams, caused by the rising demands of the personal computer industry, is keeping prices high and making the market more stable.

Fiat boss

Continued from Page 1

year of about L3,000bn ($1.26bn). Secondly, his health has been affected by a heart bypass operation earlier this year in New York. This was understood to be his third heart-related operation.

A decision on the Turin magistrates' trial request is expected shortly.

But previously Rome judicial authorities had dismissed a different case based on similar charges related to the construction of the capital's underground system.

Juppé offer

Continued from Page 1

least one decree before Christmas, imposing a broad 0.5 per cent levy on most income from January 1 to pay off the social security fund's FFr250bn ($51.3bn) accumulated debt.

The proportion of civil servants on strike yesterday fell to 11 per cent, down from 19 per cent last Friday and 31 per cent during last Thursday's big nationwide demonstrations. But the number of strikers is set to rise again today with big protest marches in Paris called by the CGT and FO.

UK drops plans for two more N-power projects

By David Lascelles in London

Europe's nuclear energy industry suffered a big reverse yesterday when British Energy, the new state-owned nuclear company scheduled for privatisation, dropped plans to build new power stations as uneconomic.

The decision – in the country which pioneered the commercial use of atomic energy – underlined the gloomy outlook for the nuclear industry in western industrialised nations.

Apart from France, no nuclear capacity is being built or is in prospect. Since the accident at the Chernobyl nuclear plant in Ukraine nearly 10 years ago, nuclear construction has largely shifted to developing countries in tha Far East, and Japan.

Yesterday's decision was immediately hailed by environmentalists as marking the death of nuclear power in the UK, although energy industry workers said it would be disastrous for the country's long-term energy needs.

Nuclear equipment suppliers will be disappointed by the decision, but are unlikely to be surprised.

The first commercial nuclear power station, Calder Hall in north-west England, was opened nearly 40 years ago.

Nuclear power now supplies about one third of all Britain's electricity. However, Britain's gas-cooled technology ran into problems, and began to lose out to the US water-cooled version.

Earlier this year, the government decided after a lengthy review to privatise the more modern part of the industry which comprises seven gas-cooled stations and one pressurised water station.

The remaining older magnox stations will remain in state hands and will be managed by British Nuclear Fuels.

Financial analysts said BE's decision not to build the two stations – in western England and in East Anglia – would probably aid the sell-off, which is expected to raise between £2bn and £3bn. "Everyone knew that new nuclear plant was uneconomic," said one analyst. "But this removes the uncertainty."

BE said tha two projects were unjustified because of low electricity prices and a surplus of power generation capacity. However, the company stressed its existing nuclear plants were operating economically and that it was still preparing for privatisation next year.

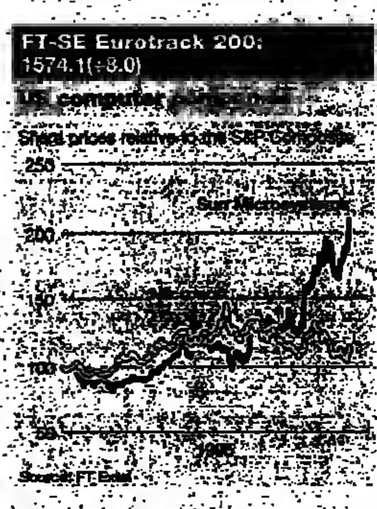
It said it had decided not to use the planning consent it had received for a third station at Hinckley Point in western England.

Delight at decision, Page 14
Editorial Comment, Page 19
See Lex

THE LEX COLUMN

Microsoft's underbelly

FT-SE Eurotrack 200: 1574.1(+8.0)



The Internet is proving the great leveller of the computer industry. Last week it even brought Microsoft down from its pedestal when Mr Bill Gates, the group's founder, was forced to embrace the Internet, reversing a previous stance belittling its importance. It is also adopting open standards rather than seeking to impose its own proprietary ones.

Microsoft's U-turn represents a climbdown. Much of its commercial success has been built on exploiting its dominance of personal computer operating systems. In the fast-expanding world of networked computing, Mr Gates will be competing on a level playing field rather than one he owns.

By embracing open standards, Microsoft has avoided the risk that it could be shut out of the Internet. Mr Gates has thus not succumbed to the fossilisation that has afflicted so many high-tech pioneers. But this should not disguise the fact that the Internet still poses threats to his business.

The biggest threat comes from Sun Microsystem's Java programming language, which Microsoft will use in its Internet products. Java's essential feature is that it is "platform-independent" – meaning that programmes written in it can run on any PC operating system, not just Microsoft's dominant Windows programme. As Java takes off, Microsoft could lose its edge in developing software applications.

The Internet also allows rivals into Microsoft's applications business by reducing the barriers to entry. As software is increasingly sold over the Internet, developers will no longer need the expensive marketing and distribution apparatus essential for selling shrink-wrapped software. Some software is already given away free on the Internet. If the practica becomes widespread, Microsoft'a fat margins could be savaged.

Another threat comes from Internet appliances. Such appliances – cheap, stripped-down computers dedicated to roaming the Internet – do not yet exist. Moreover, claims by Microsoft rivals that they could replace the PC are propaganda. Nevertheless, it is possible that such appliances will take away some of the growth the PC market would have otherwise enjoyed. And since they would need new types of software, that could crimp Microsoft's growth too.

Still, Microsoft's vulnerability is no reason for its competitors to crow. Its quasi-monopoly may be under threat but it will still be a formidable rival. Indeed, in adopting open standards, Mr Gates is better positioned to challenge the monopoly niches of others. Netscape, for example, which dominates the Internet browser market, will be more vulnerable to Microsoft's own browser when that is adapted to use Java. Microsoft will still enjoy benefits – notably its brand name, sheer marketing muscle and lingering advantages due to its dominance of the PC market. With barriers to entry falling, though, creative brilliance will also take on a greater premium – an area where Microsoft has not been terribly strong.

The Internet's exponential growth rate will undoubtedly produce profits for many. But monopoly profits are unlikely to last for long. The main result of Microsoft's move to embrace the Internet is likely to be more competition all round.

Usinor Sacilor

It might be more comfortable to blame yesterday'a profits warning from Usinor Sacilor on the strikes which have crippled the French transport system. Although they have compounded the difficulties facing the recently privatised French steel company, they are not the main cause. The company had already cut production due to destocking. Lower profits in the second half – traditionally the weaker period – than in the first half of 1995 should not come as a shock.

The snag is that the process of destocking is likely to persist into next year. Further, growth is set to plunge in France and is sluggish elsewhere in Europe. Demand for steel is slack. The prospect of lower profits in 1996 than in 1995 is looming.

This is not necessarily disastrous for Usinor'a share price. Even if profits do fall next year, the shares are still valued at only around four times earnings. Furthermore, Usinor, like most other steel companies, is going into the next downturn with a stronger balance sheet. It expects to have paid off its debt by 1997. Since steel companies typically lose money at the bottom of the cycle, a cash cushion is a distinct advantage. The danger is that earnings will fall before that can be achieved. A collapse in steel prices may well be averted in the coming cyclical downturn, since companies have become more commercial. But even Usinor's already depressed share price will have trouble shrugging off s stream of bad news.

Nuclear privatisation

British Energy's burial of its plans to build new nuclear power stations simply recognises reality. New stations would almost certainly have lost money: with no government subsidy for them, and privatisation pencilled in for next summer, the company's ambitions had to be abandoned sooner or later. But by unexpectedly also ruling out investment in UK non-nuclear generation for the time being, BE's statement raises a big question for potential investors: where is growth going to come from?

The record of UK utility privatisations suggests they need not worry. In past sales, shareholders have seen dramatic growth in returns – but this had nothing to do with the top line; it stemmed partly from cost-cutting and partly from underpricing at the time of privatisation. Precisely the same factors are very likely to apply to BE. With many investors irrationally jittery about the nuclear industry, the sale is bound to be a bargain.

Although the scope for efficiency gains is limited by high fixed costs, tight margins mean profits will benefit disproportionately from even modest efficiency improvements. And the fact that profits are just as sensitive to movements in electricity prices is more likely to help BE than harm it, since BE tends to charge significantly less for electricity than other generators. When this discrepancy unravels, with the end of the generators' main contracts in 1998, it is National Power and PowerGen, rather than BE, whose margins will be hit.

Additional Lex comment on Allied Domecq, Page 24

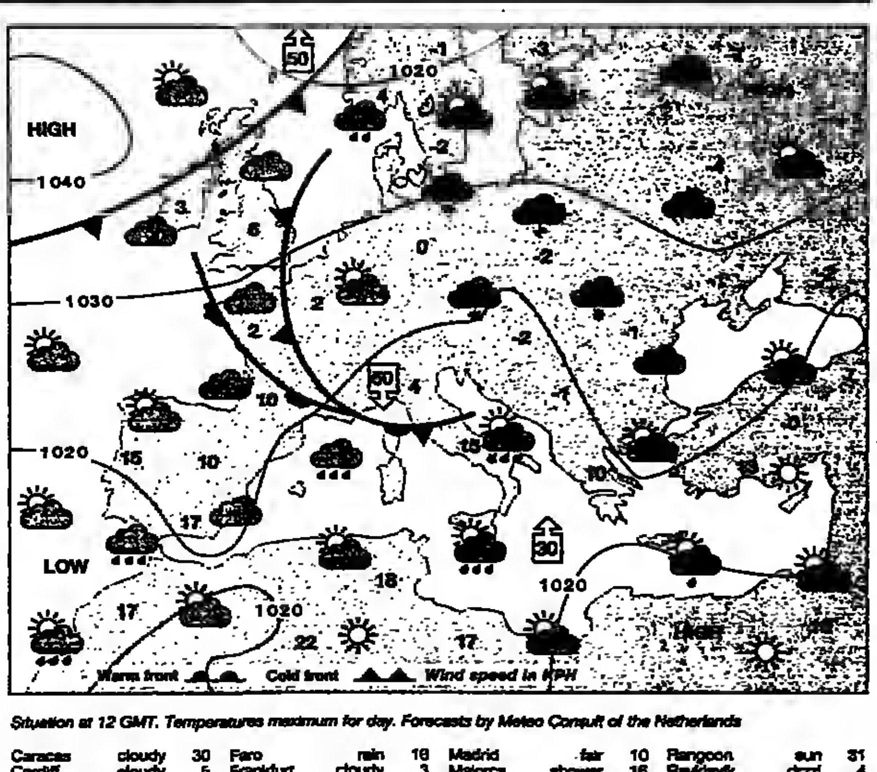
FT WEATHER GUIDE

Europe today

High pressure over the Atlantic to the south of Iceland will result in mainly dry conditions for most of the British Isles. England will have patchy cloud and sunny spells in the afternoon. The cloud will linger in the south-east and will be accompanied by showers. Northern France will be cloudy, while southern France will have plenty of sunshine. The south-west Iberian peninsula will have persistent rain. Italy and the south-eastern corner of the Mediterranean will have showers. Greece and western Turkey will be mainly sunny. There will be snow showers from Poland across to Austria and as far south as Serbia. High pressure over southern Scandinavia will result in dry conditions. There will be patchy fog in the morning and sunshine in the afternoon.

Five-day forecast

The UK will have strong, easterly winds over the next couple of days, and there will be sleet and snow on higher ground. A low near Genoa will produce heavy rain from Slovakia to Greece on Wednesday. Another developing low will cause widespread rain on the Iberian peninsula on Friday, spreading to France later in the week. Russia will continue settled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

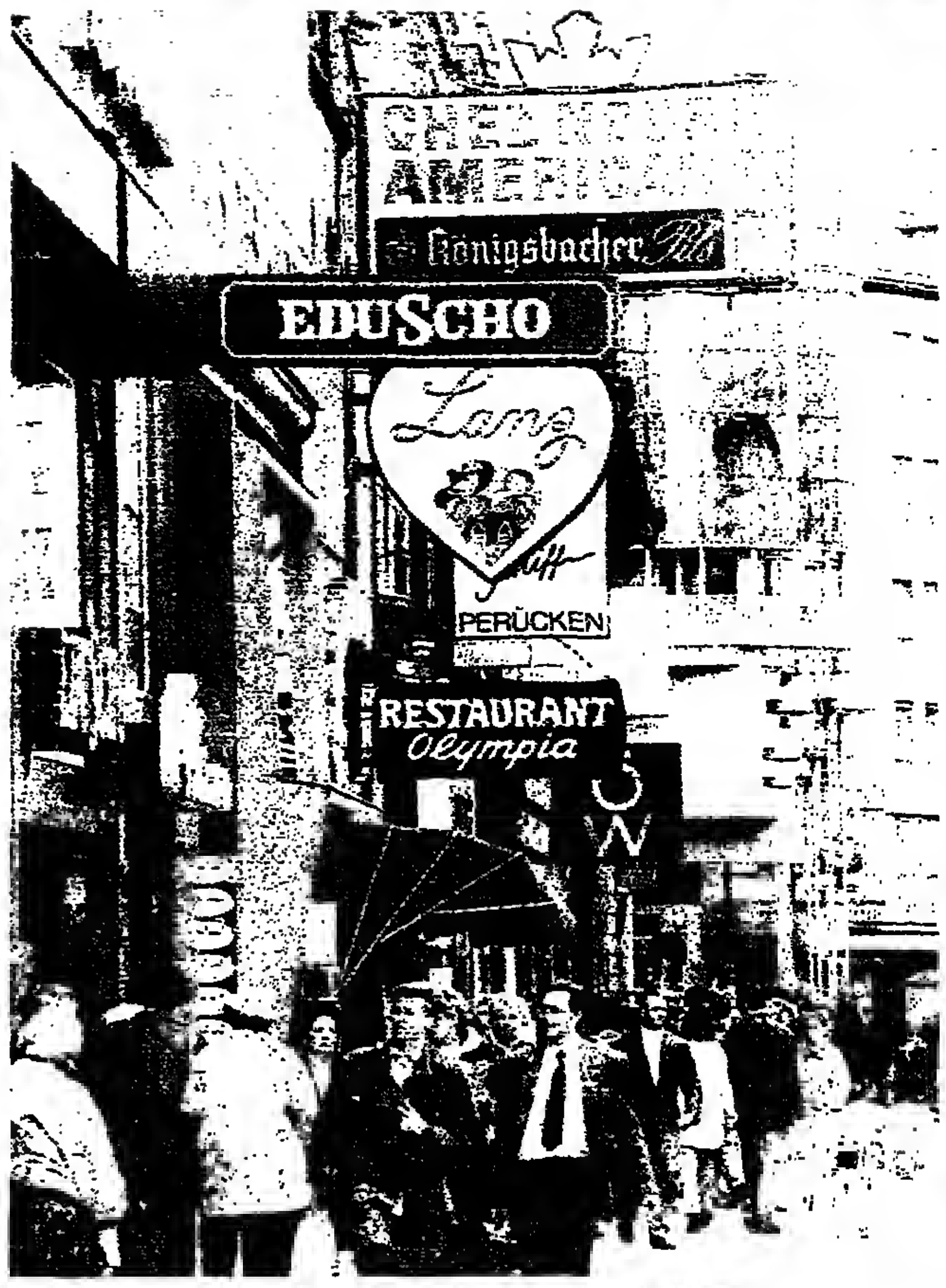
Maximum Celsius

			Beijing	sun	4	Caracas	cloudy	30	Faro	rain	16	Madrid	fair	10	Rangoon	sun	31
			Belfast	fair	5	Cardiff	cloudy	5	Frankfurt	cloudy	3	Majorca	shower	16	Reykjavik	drzzl	4
Abu Dhabi	cloudy	27	Belgrade	snow	-2	Casablanca	shower	18	Geneva	cloudy	1	Malta	rain	17	Rio	cloudy	28
Accra	cloudy	32	Berlin	snow	0	Chicago	cloudy	-5	Gibraltar	shower	15	Manchester	fair	7	Rome	shower	14
Algiers	fair	17	Bermuda	shower	21	Cologne	cloudy	3	Glasgow	fair	4	Manila	cloudy	29	S. Frsco	rain	15
Amsterdam	cloudy	5	Bogota	cloudy	20	Dakar	cloudy	26	Hamburg	drzzl	2	Melbourne	cloudy	20	Seoul	sun	6
Athens	fair	12	Bombay	sun	33	Dallas	fair	22	Helsinki	cloudy	-4	Mexico City	fair	20	Singapore	shower	30
Atlanta	sun	16	Brussels	drzzl	4	Delhi	fair	25	Hong Kong	sun	21	Miami	fair	25	Stockholm	fair	-1
B. Aires	fair	28	Budapest	snow	-3	Dubai	cloudy	27	Honolulu	fair	30	Milan	fair	5	Strasbourg	sleet	0
B.ham	cloudy	6	C.hagen	fair	2	Dublin	fair	7	Istanbul	shower	7	Montreal	cloudy	-10	Sydney	cloudy	21
Bangkok	sun	29	Cairo	cloudy	16	Dubrovnik	rain	9	Jakarta	shower	29	Moscow	cloudy	-7	Tangier	shower	12
Barcelona	fair	14	Cape Town	fair	30	Edinburgh	fair	5	Jersey	drzzl	6	Munich	snow	-2	Tel Aviv	shower	14
									Karachi	fair	28	Nairobi	fair	28	Tokyo	fair	11
									Kuwait	fair	20	Naples	shower	13	Toronto	snow	-7
									L. Angeles	fair	19	Nassau	fair	25	Vancouver	rain	10
									Las Palmas	fair	21	New York	fair	-2	Venice	shower	6
									Lima	fair	24	Nice	sun	14	Vienna	snow	-1
									Lisbon	shower	14	Nicosia	shower	13	Warsaw	snow	0
									London	cloudy	6	Oslo	cloudy	0	Washington	fair	3
									Luxbourg	cloudy	3	Paris	cloudy	0	Wellington	cloudy	19
									Lyon	cloudy	1	Perth	fair	30	Winnipeg	cloudy	-12
									Madeira	shower	19	Prague	snow	-2	Zurich	snow	-1

AUSTRIA

Premier league place at stake

EU membership has put new strains on a society already struggling to cope with the liberalising forces of the past decade. Elections soon will, however, offer voters a clear choice, says Ian Rodger



Vienna: the view (left) towards the Plague Pillar in Graben, while tourists, (right), throng the shopping area – but Austria's income from tourism has fallen, sending the balance of payments into record deficits.

Pictures: UFFA

Austria, one of the most successful and peaceful countries in Europe in the past decade, has suddenly got itself into a bit of a muddle.

Its very generous social security programmes are driving public spending out of control, threatening both tbe stability of the schilling and the country's cbances of qualifying for European monetary union membership in 1998.

At the same time, its peculiar political institutions and practices, whicb bave worked so well in the past to solve tough problems, seem to have lost tbeir effectiveness.

It took the squabbling coalition government four months to agree a 1995 budget, and the coalition collapsed in October because of differences over the 1996 budget, forcing a second general election in 14 months.

Meanwhile, repeated letter bomb campaigns against immigrants and tbose wbo support them have again raised fears that not all Austrians are willing to resolve their differences by democratic means.

Few doubt that the country, wbicb joined tbe European Union in January 1995, is approaching an historic turning point – "the issue is wbether we are going to be in the European premier league or relegated to tbe eastern Danube regional division," says Mr Helmut Kramer, director of the Austrian Institute for Economic Studies (Wifo).

The seriousness of the situation appears to be widely recognised by ordinary Austrians. Altbougb annoyed at having to vote so soon after tbe last election, they are paying close attention to the current campaign. A record 1.5m viewers, nearly a fifth of the population, watcbed a television debate between two political party leaders three weeks ago.

And for once, tbe political parties are offering the voters clear alternatives.

The Social Democratic Party, which has dominated the government for a quarter of a century, is campaigning for the preservation of bard won social entitlements and promising that any reforms will be "fair".

Tbe conservative People's Party, junior partner in the coalition, is calling for substantial cuts in some social programmes and for a freeze on public sector hiring.

Close behind them both, the *populist Mr Jörg Haider*, leader of the rigbt wing Freedom party, continues to appeal to large audiences witb bis attacks on immigration and oo alleged abuses of power by both ruling parties. Whatever form the new government takes, tbe unpredictable Mr Haider is likely to bave a significant influence.

The latest opinion polls suggest that no party will win a decisive victory in next Sunday's general elections, althongb tbe unprecedently high proportion of undecided or undeclared voters, over 40 per cent, adds a big element of uncertainty.

It is largely, but not entirely, coincidental that this convulsion in Austrian pubbc life is taking place only months after the country joined the EU.

EU membership has contributed substantially to tbe federal budget deficit in spite of rasb promises by the coalition parties a year ago that it would not. And it bas forced open some protected markets, bringing bankruptcies and insecurity to many small towns.

But the real malaise is in the two ruling political parties and the powerful chambers of commerce, agriculture and labour wbicb bave run the country throughout the postwar period.

Tbese bodies are baving immense difficulties maintaining internal cohesion in the face of the liberalising forces that have gathered pace in tbe past decade, especially since the lifting of the iron curtain in 1989.

For example, some groups of businesses and workers have profited by the opportunities presented by tbe opening of neighbouring eastern European markets, while others feel threatened by them. Tbe chambers and trade unions can no longer resolve stark differences like these among their members and so are losing credibility.

One disturbing symptom of the malaise is the growing willingness of highly placed officials to leak even the most sensitive documents to the media if they disagree with wbat is going on. In the past few months, there have been leaks of a leading bank's boardroom minutes, of a loan contract between a bank and a leading newspaper and of a privatisatioo contract between the government and a bank.

Private sector companies bave now become uneasy about passing on sensitive documents to the government or to the government controlled banks.

As Mr Ferdinand Lacina, the former finance minister points out, the weakened cbambers and trade unions have also become increasingly unwilling to accept government calls to co-operate in restraining spending. On the contrary, their tendency bas beeu to demand ever more services, in a desperate attempt to demonstrate their continuing usefulness to their members.

Thus, in tbe early 1990s, wben the economy was growing strongly, they backed a whole new series of generous social measures – a second year of paid maternity leave for women, three years' free

Continued on next page

IN THIS SURVEY

■ **Political scene:** by Eric Frey

New force breaks cosy duopoly

The rightwing Freedom Party is challenging the political establishment

Two months ago observers of Austrian politics were sure that nothing would ever change. Since the ruling coalition government collapsed in October, paving the way for new elections on December 17, the same people have predicted that nothing will ever be the same.

The Social Democratic Party and the conservative People's Party fell out over the 1996 budget. This ended a coalition that had ruled the country for nine years. It also seemed likely to end a 25-year period of Social Democrat predominance in Austrian politics. The party has governed Austria alone or with a partner without interruption since 1970.

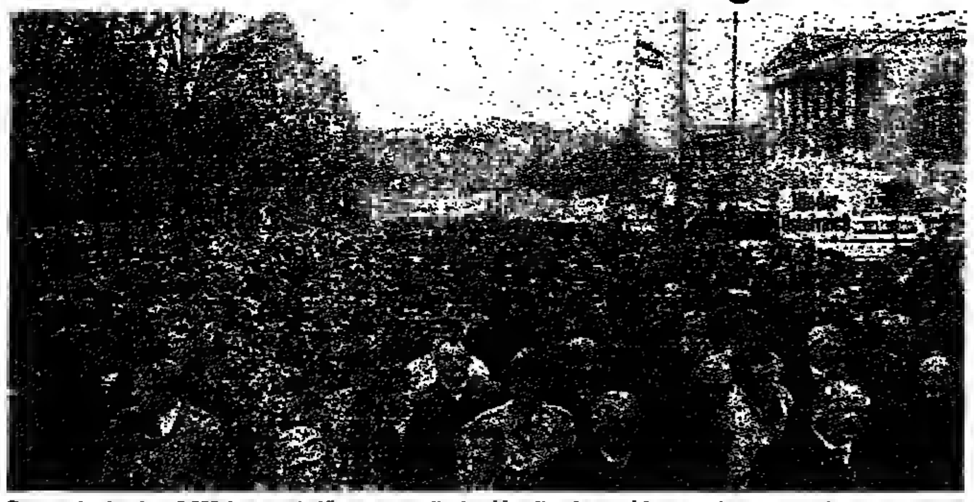
The collapse of the coalition may mark the end of 50 years of political stability and consensus policy-making.

Austria has been governed by a duopoly of the two main parties since the end of the second world war. Until the 1991 election they together always took more than 90 per cent of all votes cast.

The first formal coalition between the Social Democrats and the People's Party ended in 1966. After this even when one party ruled alone, it followed a strict formula of sharing power and job patronage with the other, called *Proporz*.

Relations between trade unions, aligned with the Social Democrats, and employer associations, sympathetic to the People's Party, followed a similar pattern. They always co-operated closely in the so-called social partnership, avoiding labour disputes and creating steady economic growth.

The first strains in this system appeared in the early 1980s when growing ecological concerns created a new party, the Greens. The real turning point came in 1986, when a charismatic young politician from the southern province of Carinthia, Mr Jörg Haider, took over the languishing Freedom Party and turned it into a powerful political force.



Demonstration by 13,000 farmers in Vienna recently, backing the demand for sustained farm subsidies as promised in the European treaty Picture: Rudi Blaha/AP

Mr Haider is the most talented and successful of the new breed of right-wing populists who have shaken up European politics since the end of the Cold War. His recipe mixes foreigner-bashing with attacks on the all-encompassing patronage system.

Mr Haider, the party chairman, scores points with voters by criticising excessive salaries and privileges in powerful national institutions from the Chamber of Labour, to which all employees have to belong, to the central bank, an extremely comfortable resting place for old politicians.

These tactics have boosted his party's share of the vote from 4 per cent in 1986 to 22.5 per cent in last year's elections. But he has always seemed too extremist and unpredictable to serve as a serious political partner to one of the main parties.

On more than one occasion, Mr Haider has spoken favourably of Nazi policies and used terminology echoing that of the Third Reich. A government role for Mr Haider in the country where Adolf Hitler was born would drive Austria into international isolation and hurt its economy, many observers fear.

Mr Haider's rise has pushed the Social Democrats under Mr Franz Vranitzky, a former banker, closer to the People's Party.

This has turned the Freedom Party into the strongest opposition force and given Mr Haider a platform from which to continue his attacks on the establishment.

In June 1994, the coalition enjoyed its last success when Austrians voted by a majority of two-thirds to join the European Union. Mr Haider, who opposed European Union membership, turned the tables four months later when both the ruling parties lost votes at the polls and with them their two-thirds majority in parliament.

The two parties kept the coalition alive, but bickered increasingly openly on most issues, especially on the difficult deficit reduction negotiations.

New leader

The People's Party was the first to move, electing a new leader, Mr Wolfgang Schüssel, in April. Within weeks it became clear that Mr Schüssel was looking for an opportunity to break out of the increasingly unpopular partnership.

This chance arose in the autumn when the two parties failed to agree on the 1996 budget. By forcing new elections Mr Schüssel is gambling that voters will reward his tough stand on social spending.

Mr Schüssel has been a steadfast supporter of the grand coalition and the *Proporz* system for many years. But in the election campaign he has presented himself as an agent of change who can deliver what Mr Haider promises.

Ironically the Social Democrats have been playing the conservative role, defending the welfare state and attacking Mr Schüssel for introducing uncertainty into a placid system.

After nine years at the helm, Mr Vranitzky of the Social Democrats looks tired and vulnerable, but he may score points with an electorate afraid of both Mr Haider and of painful cuts in the social programs.

Whatever the outcome of the elections, warnings of continuing instability are likely to come true. A majority government may be an impossibility. The two traditional parties are too at odds on key issues of economic policy to be reconciled.

Mr Schüssel has said that he would welcome the Social Democrats back into a governing coalition if he wins the election. Many Social Democrats would prefer to go into opposition if, as expected, their party suffers further electoral setbacks.

The arguments against a coalition with Mr Haider are still as strong as ever. Mr Schüssel has been at pains to avoid any speculation of this kind during the campaign.

If the People's Party wins, it may have no choice but to form a minority government. It could probably gain the support of the Freedom Party on the budget, for the two parties differ little on basic economic issues.

Mr Schüssel would probably look for different allies on other issues.

This could be a workable system for a year or two and seems to many preferable to any other arrangement. The Social Democrats would have a hard time finding a partner even if they manage to defend their status as the strongest party.

People's Party leaders believe their sharp decline in the past decade is partly due to being overshadowad as the junior partner in the coalition. They do not want to continue in that role.

The most attractive option for the Social Democrats would be a coalition with the left-wing Greens and tha Liberal Forum, a small new party formed by defectors from the Freedom Party. But these three parties are unlikely to gain enough seats to establish a majority government.

In case of a stalemate, Mr Thomas Klestil, the federal president, would enter the political spotlight. The conservative former diplomat does not like the Freedom Party, but might adopt Mr Haider's proposal to form a cabinet of experts.

Mr Klestil has been frustrated by his office's lack of power and would enjoy the role of government builder.

Schilling could come under pressure after the elections

Continued from previous page

pension rights per child for women and expanded free care services for the aged. As a result, the cost of the government's social transfers soared from Sch94.1bn in 1990 to Sch149.7bn last year, with the annual growth rate now three times the level in the late 1980s.

Public sector salaries have been growing at 7.8 per cent annually in the five years to 1994, compared with a nominal GDP growth rate of 5.5 per cent, and are now ahead of private sector salaries at many levels.

The public sector deficit, which had been on a declining trend up until 1993, is likely to reach 5.4 per cent of GDP this year, well above the 3 per cent level needed for EMU entry.

The situation is by no means as dire as that in some other European countries, but Austria lives and works on a very high standard, with its currency pegged to the D-mark for nearly 20 years.

Swift action will be needed

Whoever emerges victorious from next Sunday's elections will have to move quickly to produce a budget that will demonstrably reverse the negative public sector spending trends.

So far, anxiety about the government's finances has shown up only in the stock market. The ATX index of leading shares lost 10 per cent of its value from late September, when the budget crisis became acute, to the middle of November. After the elections, it could be the turn of the schilling to come under pressure if investors suspect that government borrowing will continue to rise.

It would be sad indeed if the country's political leaders do not rise to the current challenges. Austria's economy is fundamentally one of the strongest in Europe. And the stability and high productivity of the labour force has made the country an increasingly popular location for industrial investment by multinational companies.

Austria has come a long way since the early 1980s when the state still dominated virtually every aspect of economic activity.

The rationalisation and privatisation of the many businesses making up the old Voest-Alpine steel and engineering combine have been great successes by any standard, uncovering profitable assets and entrepreneurial and management talent that few knew existed.

There is still much to be done – from privatisation of the leading banks to introducing competition in broadcasting and telecommunications and loosening the tight restrictions on shop opening hours – before Austria could be called a truly liberal democracy.

But there is no need or excuse for it to retreat into any second division.

Flashback: anti-EU posters read: 'EU – not like this. We have read the contract.' Picture: Jacqueline Godany/Reuter

■ **EU membership:** by Eric Frey

Business benefits as politicians struggle

Commerce has avoided the headaches suffered by statesmen and consumers

Joining the European Union in January of this year has turned a nation of Europhiles into Europhobes.

A year and a half after the June 1994 referendum, when 66 per cent of Austrians voted to join the EU, the majority for Europe has disappeared. Surveys show that if the vote were to take place anew, 47 per cent would say No to the EU and only 40 per cent would support membership; 57 per cent of those surveyed said they were disappointed by the union and saw more disadvantages than advantages in membership.

Business and political leaders insist that the mood is better than these figures indicate. Many Austrians complain about Brussels and the government's EU policies, but only a fifth of the electorate actually wants to withdraw from the EU.

Even Mr Jörg Haider, chairman of the Freedom Party and the leading Eurosceptic in politics, is not threatening to take Austria out of the union if his party comes to power. He would merely renegotiate the financial terms of membership.

While the result of the 1994 referendum may have overstated support for the EU current polls probably understate it. A majority of Austrians approve of further integration in principle, while insisting on the right to opt out of any common policy they do not like.

They regard proposals for closer integration – like monetary union and a joint foreign policy – with scepticism.

The ambivalent attitudes of Austrians to the EU should not come as a surprise. They have felt the costs of membership sharply: Austria's Sch50bn (£3.2bn) contribution to the EU budget this year forced the government to cut domestic spending and triggered the budget crisis that brought down the coalition government last month.

Farmers saw prices for their products drop 30 per cent and more on January 1. Shopkeepers lost thousands of customers who drove to Germany and Italy to take advantage of open borders and lower prices.

It took much longer for consumers to see the advantages of EU membership promised by the government before the 1994 referendum. Prices were slow to fall at first. EU funds for regional development are still stuck in the administrative pipeline. And the payout of farmer compensation was delayed for ten months because of political squabbles.

Business leaders are better pleased as the first year of membership nears its end. Consumer prices began to fall across the board in the summer, helping to push the inflation rate to a six-year low of 2.2 per cent. Some car prices dropped by 20 per cent, and average supermarket prices fell 10 per cent, according to Mr Johann Farnleitner, deputy secretary general of the Federal Economic Chamber.

The decrease was sharper than expected and caused an unexpected shortfall in federal tax revenues, he adds. Ironically, this has exacerbated the budget crisis and added to disillusionment about the EU.

Investment

New investment has been pouring into the country. Exports have risen sharply as small and medium-sized companies discovered the larger European market. Mr Farnleitner says: "I have been in this business for 30 years, and I have never seen as much investment interest in Austria as now."

Many European companies are moving their headquarters for central eastern Europe to Vienna. Some Swiss firms are shifting production facilities across the border to Austria to take advantage of the single market of which Switzerland is not itself a member.

The textile and machinery industry is benefiting from the elimination of import duty cumulation, which had subjected Austrian products sent to eastern Europe for processing to EU tariffs on their return.

In the food sector big national dairy groups are being forced to merge and cut capacity by half. Subsidiaries of multinational food groups are also shedding jobs. Some are even thinking of closing down their Austrian plants because they can supply the small Austrian market more efficiently from other European countries. The most prominent example is Eskimo/Igloo, the frozen-food unit of Unilever, which shutting an operation in Lower Austria.

Small Austrian producers, such as the jam producer Darbo, are making up for this by stepping up exports to Germany, Italy and other EU countries.

The variety of foreign products on Austrian supermarket shelves has increased too. But most consumers stick to familiar national brands. "Austrians remain patriotic consumers", Mr Farnleitner says.

Companies have seemed more adept at taking advantage of of EU membership than the government. The consensus between the Social Democrats and the conservative People's Party that helpad membership negotiations succeed broke down after the referendum. EU issues became a battlefield for competing interests and jealousies. There is no central co-ordinating body for European policy. The foreign ministry and the chancellor's office fight over who sets the agenda.

Ministers representing Austria in Brussels are handicapped by laws that force them to seek approval from the Austrian parliament before casting a vote in the Council of Ministers.

In the first ten months of EU membership, Austria has been most vocal on environmental causes such as the harmonisation of animal transport regulations, truck size limits and French nuclear testing, which it opposed.

More than once the country was on the losing side. Critics say that Austrian politicians and diplomats still have to learn how to influence EU policy at the early stages.

EU membership has speeded up the process of liberalisation and deregulation in the domestic economy. This will boost productivity in the long run but cause pain in some sectors in the process. The bloated retail industry is undergoing a rapid transformation, sparked off by the collapse of the Konsum supermarket chain in February.

Indicators

In another sign of change, employers and unions agreed to keep shops open for the first time on December 8, a Catholic holiday in the middle of the Christmas season. In previous years, thousands of shoppers went to neighbouring countries that day, depriving Austrian stores of huge revenues.

Financial services will be hit hard by European competition. The banking sector is being shaken by the entry of new participants. Pressure is increasing to privatise the remaining institutions still in state hands.

The insurance sector, which is dominated by four large companies, has become more efficient in recent years. But it will have to increase its competitiveness if it is to fend off strong foreign insurers.

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■ **Economic outlook:** by Ian Rodger

Export performance is impressive

The near-term outlook for the economy is unclear because of the political turmoil, but it is at best dull

The Austrian economy would be in reasonably good form, were it not for the weakness of the public sector.

Overall real GDP growth is slowing slightly from last year's 2.7 per cent to perhaps 2.5 per cent this year and is likely to ease somewhat further next year. But export performance has been extraordinarily good, inflation is under control and the adjustment to membership in the European Union has been surprisingly smooth.

The problem of the public sector is a familiar one in industrialised countries. Rising deficits caused mainly by burgeoning welfare budgets are bringing with them the threat of interest rate rises which would undermine economic growth.

In Austria, this has suddenly become a very acute problem because investors worry that the current political disarray will make it very difficult for the national government to take the measures necessary to curb its deficit, now running at over 5 per cent of GDP.

Moreover, provincial and local governments, which have traditionally provided surpluses to soften the national government's deficits, are themselves moving into the red.

In 1994, the federal deficit was 4.7 per cent of GDP and the local governments had an aggregate 0.7 per cent surplus. This, according to Mr Helmut Kramer, director of the Austrian Institute for Economic Analysis (Wifo), the federal deficit will be about 5.2 per cent of GDP and the local governments will add a further 0.5 per cent to the total.

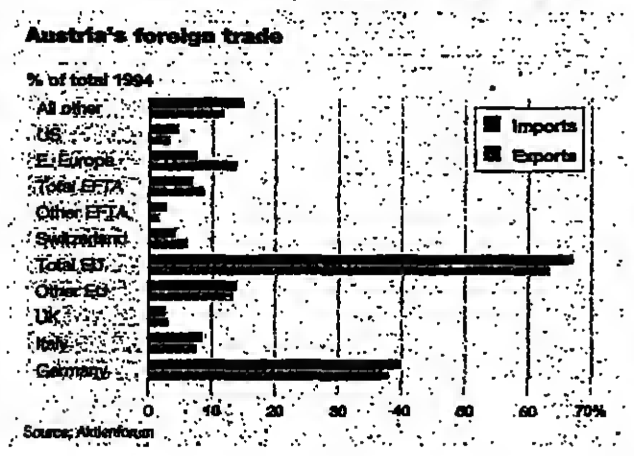
The other headline economic problem is tourism (*see report on page five*).

Tourism has long been one of the most important components of the Austrian economy, accounting in good years for as much as a tenth of GDP. The industry has also been the lynchpin in the balance of payments, covering chronic visible trade deficits. In the past two years, however, the net tourism surplus has suddenly deteriorated - from Sch61.4bn in 1993 to Sch43.7bn last year and Sch27bn in the first nine months of this year.

Forecasts

That in turn was responsible for a record current account balance of payments deficit in the first nine months half of Sch30.5bn. Forecasts of the full year deficit range up to Sch41bn, compared with deficits of Sch22.3bn last year and Sch8.2bn in 1993.

Even though there have been some extraordinary factors in the decline of tourism income, notably the rise in the value of the schilling against most European currencies - most economists now believe that it is unlikely to resume its former importance. That means that the country has no choice but to look to other ways of balancing its international payments in the future.



In spite of these burdens, the economy has performed well so far this year. Industrial production has been growing at rates above 7 per cent up to August. Economists say this performance is broadly based, with particular strength in capital goods. Details are hard to come by because of changes in statistical collection methods following Austria's entry into the EU.

Exports of manufactured goods were 8 per cent ahead in volume, 14 per cent in value, in the first eight months.

Construction activity, on the other hand, has slumped following a strong 7.3 per cent advance last year. Mr Kramer observes that construction has been strong for most of the past five years, especially housebuilding, and perhaps a slowdown was inevitable. Also, the public sector's budget difficulties mean reduced infrastructure spending.

The main impact of EU membership has been felt so far in the retail sector. Impatient with the reluctance of local retailers to reduce their prices, more and more Austrians have headed over their borders, mainly with Germany and Italy, to do their shopping. The retail sales index in August was 5 per cent lower than the average for 1994. This trend, which should be self-correcting, has also had detectable negative impacts on the balance of payments and on the government's value added tax revenues.

A more positive immediate impact of EU membership has been a significant reduction in inflation. It has fallen to around 2 per cent in recent months, compared with an average 3 per cent in 1994, and economists see further reductions next year.

And the unemployment rate has been stable at about 6.5 per cent, well below the EU average, in spite of some large business failures this year, notably that of the Konsum supermarket chain.

The near-term outlook for the economy is unclear because of the political turmoil, but it is at best dull. New orders in manufacturing have been weakening in recent months and the squeeze on the public sector, which accounts for nearly a half of GDP, will continue to dampen both public and private consumption growth.

Productivity

But economists are confident that no recession is in prospect. The medium-term outlook is even less clear. It would seem that Austria would have difficulty making its export-oriented industry take up the slack from tourism. Austria is a high wage, strong currency country with a weak capital market and a not particularly distinguished education system. Yet its labour force gets high marks for quality and productivity. In recent months, Austria has won some very large industrial investments from companies such as General Motors and the Dutch paper group, KNP.

Mr Josef Christl, head of the economics department at Creditanstalt-Bankverein, suspects that the more likely solution is a reduction in demand for imports.

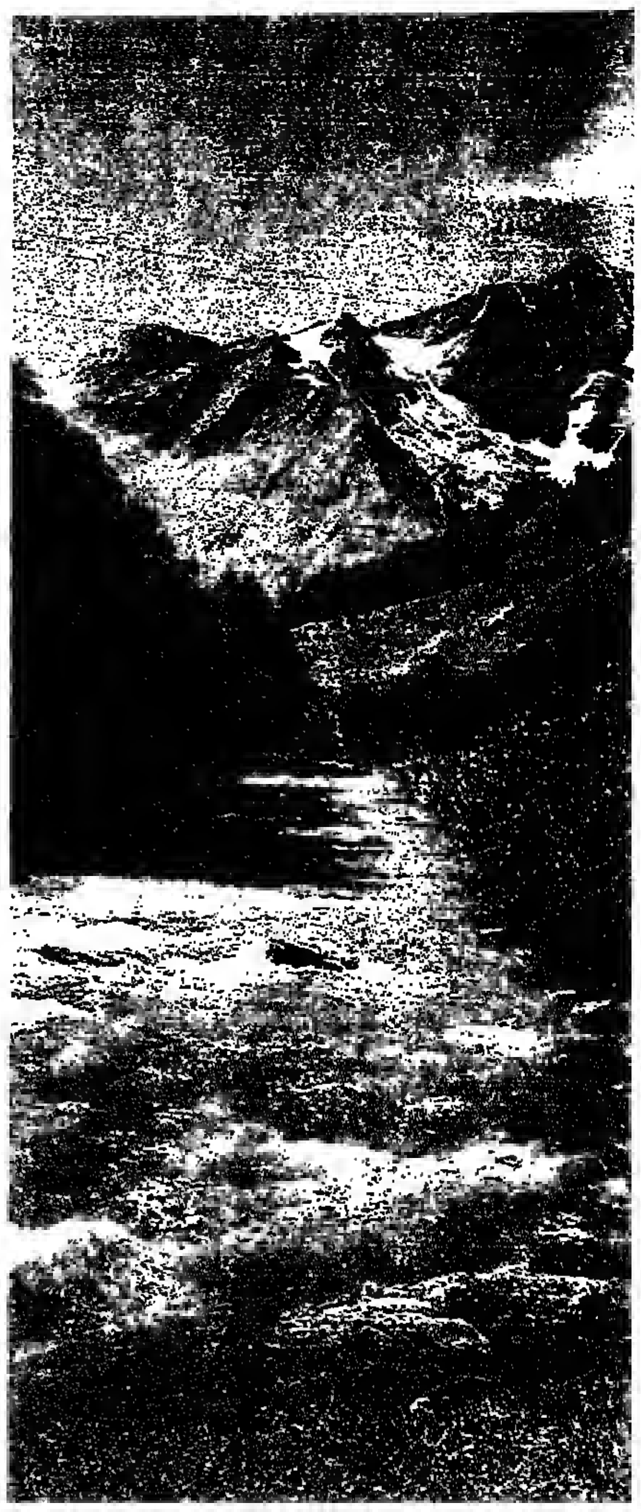
That may not be as painful a process as it sounds. Manufacturing still occupies an extraordinarily high position in the economy – providing more than 30 per cent of GDP. This suggests there is still lots of room for development of domestic services that people would enjoy spending their money on.

Shop signs in central Vienna: appealing to affluent Austrians and tourists, alike *Picture: UFPA*

Productivity per employee

Year	Index (1976=100)	Plus, minus % vs. previous year
1990	180.5	6.0
1991	186.0	3.0
1992	190.2	2.3
1993	199.0	4.6
1994	215.8	8.5
Wages and salaries per employee*		
1990	226.2	7.5
1991	239.1	5.7
1992	252.5	5.6
1993	263.1	4.2
1994	271.0	3.0
Wholesale prices		
1990	136.2	2.9
1991	137.4	0.8
1992	137.1	-0.2
1993	135.6	-0.4
1994	137.4	1.3
Consumer price index*		
1990	170.2	3.3
1991	175.9	3.3
1992	183.0	4.1
1993	189.6	3.6
1994	195.3	3.0

* Price indices based on monthly data for periods indicated; wages based on income, prior to child allowances, of the average employee in manufacturing and mining; price index computed on the basis of an average-sized urban family with average income.
Source: Austrian Financial Markets



Wildly beautiful scenery at the start of the Grossglockner road, near Bruck. Tourism has long been one of the most important components of the Austrian economy, accounting in good years for as much as a tenth of GDP. But in the past two years the net tourism surplus has suddenly deteriorated – from Sch61.4bn in 1993 to Sch43.7bn last year and Sch27bn in the first nine months of this year. Some observers feel that tourism may not regain its former position as the balancing factor for the country's visible trade deficit, as many international tourists seek warmer, more exotic destinations: see report, page five. *Picture Peter Baker*

■ **Banking:** by Ian Rodger

High tensions continue

The shape of Austrian banking is changing amidst intensive competitive pressures and mediocre performance

Austria's banking scene has been in a state of high tension for much of this year and the causes of that tension show little sign of abating in the near future.

The headline issue has been the completion of the privatisation of Creditanstalt-Bankverein, the country's second largest bank, a project launched in 1990 and which has once again been postponed because of the collapse of the government in October.

But there are also strains at Bank Austria, the largest banking group, arising mainly from its indirect purchase last year of a controlling interest GiroCredit, the clearing organisation for Austria's savings banks. Further privatisation is lurking as an issue at Bank Austria as well.

Meanwhile, the sector's performance continues to be mediocre, reflecting the excessive competitive behaviour that has long been a hallmark of Austrian banking and which is generally attributed to the high degree of public ownership in it.

A measure of that mediocrity emerged in September when Moody's Investors Service issued financial strength ratings for the world's leading banks. The idea of this new rating is to assess a bank's own strength independent of those of its parent company or any government guarantees it might enjoy.

The results are particularly revealing for Austrian banks. Bank Austria, which enjoys a triple A rating on its long-term deposits, thanks to a city of Vienna guarantee, received only a C+ financial strength rating. Creditanstalt, which has an A1 rating on its deposits, has only a C financial strength rating. The Austrian government holds 69 per cent voting control of Creditanstalt.

Moody's defines banks with C ratings as having acceptable fundamentals within a stable environment or better than average fundamentals within an unstable operating environment.

GiroCredit, which has no government backing, has a D+ and only Erste Oesterreichische Spar Casse Bank, which is also independent, achieved a B.

The cure for this general malady has long been clear – a combination of consolidation to remove excess capacity and weaning the biggest banks from their government backers and political affiliations.

The consolidation process has been under way for several years, with the largest step so far taken in the autumn of 1991 when Zentralsparkasse, the Viennese savings bank group, took over the failing Länderbank to create Bank Austria.

This was expected to be followed by Erste Oesterreichische and GiroCredit joining forces to consolidate the rest of the savings bank movement. But Erste was a reluctant suitor, and Bank Austria, which wanted to sell its 30 per cent stake in Giro as part of any deal, last year became impatient with Erste's dithering and instead bought up enough shares to give it 56 per cent control.

Giro, which is affiliated with the conservative People's Party, has not fitted in easily to the Socialist Bank Austria community. It has actively resisted some of BA's attempts at rationalisation, suspecting that a strategy of slow murder by a thousand cuts lies behind them. In November, it even converted its participation certificates into preference shares and floated its preference shares on the stock exchange in a demonstration of its independence.

> There have been big changes at the top of larger institutions in the last 18 months

In the meantime, Erste has pulled off this year's biggest consolidation, acquiring a 70 per cent stake in Sparkasse der Stadt Salzburg in October for Sch1.9bn.

The next steps depend to a considerable extent on the outcome of next week's elections and then on municipal elections in Vienna next year.

If the People's Party succeeds in getting the upper hand in the government, it will probably be sympathetic to an Austrian-German-Italian consortium that is seeking to buy Creditanstalt. Mr Wolfgang Schüssel, the new leader of the People's Party, believes domestic control of the country's second largest bank is important.

Erste is a member of that consortium, which would indicate the likelihood of some rationalisation between it and Creditanstalt. The large rural Raiffaisen co-operative bank group, which three years ago made an abortive takeover bid for Creditanstalt, might also get involved again.

If the Social Democrats retain control of the government, they will probably renew their attempt to sell the bank to the highest bidder. That would almost certainly be a foreign bank, which might well bring new competitive fizz to the domestic banking scene.

Whoever is in charge of the federal government will probably try to carry through with the plan to sell off its 19 per cent stake in Bank Austria, either to strategic investors or via international secondary offerings.

But Bank Austria's status is no longer as certain as it once seemed. The Social Democrats face losing their absolute majority in the city of Vienna elections next year for the first time in this century. That would mean, among other things, that they would lose their total grip over the bank, now exercised through a city foundation which holds just under 50 per cent of the shares.

The foundation, which was also the buyer on behalf of Bank Austria of Giro shares last year, is understood to be financially stretched because of loans it took out to pay for those shares. These loans have been non-performing as Giro had a bad 1994 and passed its dividend.

And if the People's Party wins the federal finance ministry, it would probably be less sympathetic than the Social Democrats to Bank Austria's plea for a 10-year transition period in adopting EU accounting guidelines on consolidation.

Mr Gerhard Randa, chief executive of Bank Austria, says the bank's capital ratio would deteriorate from 10.75 per cent to about 9 per cent if it had to consolidate both the foundation and Giro.

While there has been much controversy in the past two years over the possibility that control of Creditanstalt could pass into foreign hands, foreign ownership is increasingly becoming a part of Austrian banking life. Schoeller Bank, a medium size private and commercial bank, is now owned by Bayerische Vereinsbank, and last spring Bayerische Landesbank bought a 45 per cent stake in Bank für Arbeit und Wirtschaft (Bawag), previously controlled by the Austrian trade union movement.

There has also been considerable change at the top of the biggest institutions, with new chief executives at Bank Austria, Giro and Bawag in the past 18 months, and changes at Erste and Creditanstalt not too far away.

All of which suggests that the face of Austrian banking could take on a quite different shape in the next year or so.

■ **Profile: Klaus Liebscher** By Ian Rodger

Tough views on spending controls

The new president of the National Bank is a man of forthright opinions

Mr Klaus Liebscher, the new president of the Austrian National Bank, is on the surface quite a contrast to his outspoken predecessor, Mrs Maria Schaumeyer.

Mr Liebscher is a financial man through-and-through with a reluctance to take up strident positions. Before assuming his post, he was chief executive of Raiffaisen Zentralbank, the central organisation of Austria's co-operative banks, and was president of the Vienna stock exchange.

Mrs Schaumeyer was a leading figure in the conservative Austrian People's Party which, under Austria's curious *proporz* system of sharing top jobs among members of the two leading political parties, has the right to name the central bank president.

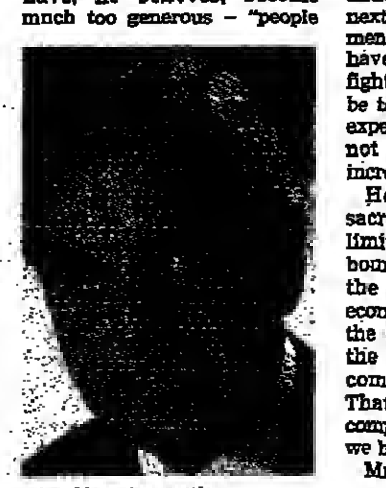
But Mr Liebscher – perhaps because the situation has substantially worsened in recent months, with widening current account and public sector deficits – is already proving to be just as outspoken as Mrs Schaumeyer about Austria's financial and economic problems.

Some analysts and currency market speculators have even suggested that the 13-year-old link between the Schilling and the D-Mark could be threatened, although Mr Liebscher will not hear of it.

"The stable currency policy will be continued," he says, emphasising that it has helped create the strong economic growth and low inflation that Austria has enjoyed for most of the past decade. Austria strengthened that link early this year by joining the European Union's exchange rate mechanism immediately after it entered the EU.

However, Mr Liebscher is highly critical of Austrian governments at all levels for letting their spending get out control – "fundamentally, we have a sound economy with a very high savings rate, low interest rates and an attractive tax structure, but we are faced with increasing budget deficits that must be reduced in a substantial and sustainable way".

Social welfare programmes have, he believes, become much too generous – "people do not really know how much the government is paying. If there was more self-payment, then [they] would understand the government's problems".



Klaus Liebscher: welfare programmes 'too generous'

He was optimistic that the new government, "however it is composed", would deal with the situation. "My recommendation would be to do more next year rather than [implement] half-measures and then have to go through the same fights again. My priority would be to achieve it mainly on the expenditure side, although it is not realistic to exclude tax increases."

He was also eager that sacred cows, such as severe limitations on shop trading hours, be removed, because of the damage they do to the economy. "With the opening to the east and [membership of] the EU, Austria now has a completely open economy. That brings with it a more competitive environment, and we have to change our habits."

Mr Liebscher is not happy

Continued on next page

■ **Equity market:** by Ian Rodger

A visible weakness

The development of large institutional investors in equities has not yet happened in Austria

Austria's equity market is notoriously thin and weak.

Its total capitalisation in 1993 was only about 15 per cent of GDP compared with 144 per cent in the US, 127 per cent in Britain and 117 per cent in Switzerland. This in spite of the fact that Austria has one of the highest gross saving rates, 25 per cent of GDP, among industrialised countries.

Until the past three years, the weakness of the equity market has not been a great problem for the country. But now that large scale privatisation has become a necessity, it has become painfully apparent. In many cases, privatisations can only be achieved by calling on foreign investors, and that in turn has caused a popular reaction against it.

Since the Second World War, about a third of the country's industry has been owned mainly by governments or by banks controlled by the governments. Another third has been held by foreign owners and a further third by private individuals or families.

For most of this period, the country's economic climate has been remarkably stable, thanks to the politically-led social partnership of management and labour.

As a result, it was safe for banks to provide much more lending to industrial companies than they otherwise might have. Typically, equity accounts for less than 20 per cent of industrial company capital.

Moreover, the banks were in a good position to provide loan capital because individual Austrians preferred to place their savings in anonymous numbered savings accounts, thereby escaping tax, than to invest in securities.

The development of large institutional investors in equities, such as insurance companies and pension funds, as seen in other countries, has not yet happened in Austria.

The government provides generous pensions to all citizens from its current account, which means that there is no public pension investment fund and very few private ones. And the insurance companies have benefitted from an oligopolistic market, being able to maintain adequate returns by investing in government securities and raising policy premiums when necessary.

The weaknesses of this system did not become apparent in the first wave of partial privatisations via stock market flotations in the late 1980s of leading companies such as the Verbund electric power company and Creditanstalt-Bankverein.

In all of these operations, the government maintained majority control and so was not very concerned about where the rest of the shares went.

Political rows

But from 1992, when it became apparent that international investors would no longer accept partial privatisations, the situation changed. In cases of small companies, such as microchip maker Austria Microsysteme, no one made much of a fuss when foreign investors bought up a majority of the shares. But the prospect of foreigners holding a majority of the shares of integrated oil group OMV or the venerable Creditanstalt has caused huge and as yet unresolved political rows.

In early 1992, the Austrian financial community, with the support of the finance ministry, launched a multi-faceted initiative to strengthen the equity market. Wealth taxes have been reformed to incite family controlled companies to go public, legislation to make the market more trustworthy has been passed and regulations on insurance company investment practices have been relaxed. Next year, in all likelihood, an independent market supervisory agency will be created.

But, as Mr Johannes Attems, the coordinator of this reform drive admits, the problem is still participation – "the framework is not too bad now, but we still have to make the horses drink," he says.

Mr Attems, who is an executive director of Oesterreichische Kontrollbank, cites a number of forces that should gradually strengthen the market:

- The government's immense budget difficulties will force it to withdraw gradually from the pension area, clearing the way for the development of private pension funds.
- Increasing competition in the insurance business arising from Austria's European Union membership will force the insurance companies to look for the higher financial returns only available from equities.
- The creation of a single European currency will make the Austrian market more attractive to more European investors because the exchange rate risk will disappear.
- Banks, which are themselves under growing pressure to perform better, will probably become increasingly reluctant to provide companies such high levels of debt financing as in the past.

Meanwhile, the processes of privatisation and stock market flotations of private companies are likely to continue to be as bumpy as they have been in the past two years.

The issues are complicated by the fact that long years of half-hearted supervision by governments and banks have left many industrial companies not in the best shape for selling on the market.

A prime example is Lenzing, one of the world's largest producers of viscose fibres. Bank Austria and Creditanstalt together hold a small majority of the shares and want to get rid of them.

But a secondary offering would be difficult because the company's recent track record is not that strong. The more attractive alternative is to sell to a strategic investor who in this, as in most cases, is going to be a foreigner.

Another type of valuation problem emerges in the case of Creditanstalt itself. The government has been committed to selling its 70 per cent voting stake in the bank for the past five years, but has had great difficulty doing it. Last year, the government decided to sell to a strategic buyer, but has become embroiled in controversy over the price to demand.

Suspicious

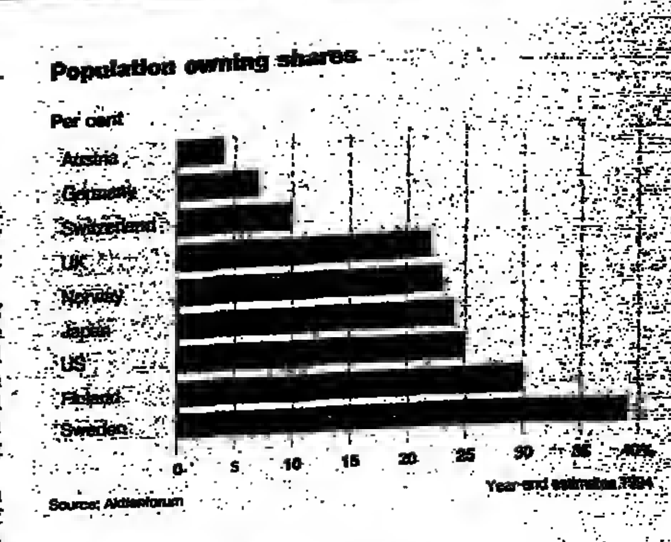
The bank itself and a consortium of Austrian, Italian and German groups interested in buying it believe offers should be based on the stock market price. But the finance ministry is suspicious of the market price, because the market is so thin.

Indeed, the Creditanstalt share price has fluctuated wildly from a high of Sch823 in 1993 to a recent price of Sch540.

In the midst of these difficulties, considerable credit must be given to OIAG, the state industrial holding company. It has had a large agenda of privatisations and market flotations, but has continued to attract a growing number of Austrian and foreign investors to its offers.

It has been criticised for pitching its prices too low - the recent flotation of steelmaker Voest Alpine Stahl was set at only three times estimated 1995 earnings - but Mr Attems rejects the criticism.

"Yes, the prices have been low, but they have done that to promote the long term interest of shareholders. If you have a large programme, you have to keep your clients happy."



■ **Profile:** Mayr-Melnhof Karton

Learning to live with a listing

Europe's largest maker of carton board rebuilds investor confidence

In late August, Mayr-Melnhof Karton, the carton board manufacturer, reported a first half net profit of Sch216m (£14m), double the level earned in the same period of the previous year.

It said demand had been brisk in the first half and that its plants had worked at full capacity. Some cooling of activity was foreseen. But Mr Michael Gröller, the chief executive, forecast that net income would more than double to Sch400m in the full year, making a dividend increase possible.

MM KARTON AG

On October 16, Mr Gröller and other executives gave no indication in an interview that the market situation had changed.

Bnt four days later, the group confirmed a report in an Austrian newspaper that it had introduced short-time working at one of its largest plants in response to a drop in orders.

Mayr shares, which are among the most actively traded on the Vienna Stock Exchange, lost 13 per cent of their value in the four weeks following this announcement.

Late in November Mayr felt obliged to put out a statement assuring shareholders that there would be "no long-term material effects on the business".

Many quoted Austrian companies are having a hard time adjusting to the expectations of international investors. Mayr, a long-established and very successful family-controlled company, has had more trouble than most since making a Sch2.88bn international public offering of 4m new shares in April 1994.

The offer of 40 per cent of its enlarged capital was highly priced. The managers, Creditanstalt-Bankverein and Morgan Stanley, had to push investors hard to complete the sale.

Their reluctance seems to have been well founded. The shares have not yet recovered to the offer price of Sch720 each.

Only two months after the flotation, the company slashed an ambitious profit forecast due to sharp rises in raw material prices.

Mayr executives appeared to be making some headway this year in rebuilding investor confidence. Its full year 1994 results were better than the revised forecast suggested and its first half was very strong.

Until the slip in October, it was careful to disclose important information to the market. It even published a memorandum it had sent to customers in September assuring them that it would not raise its carton board prices again this year.

But investors can be unforgiving and it may take time before the company's strengths are fairly reflected in the share price.

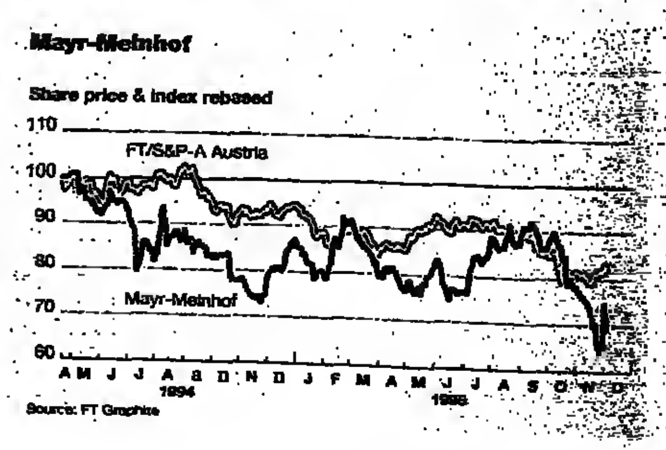
Mayr is active in three businesses - making carton board, producing and folding cartons, and collecting and selling waste paper.

Michael Gröller, chief executive: 'We are in a good position in the face of legislation on packaging'

Although family-owned, it has been run by managers who are not family members since the 1950s. Early on it recognised the need to have operations across Europe, especially to meet the demands of multinational companies, for example in supplying breakfast cereals maker Kelloggs with folding cartons.

It believes it will benefit from customers' growing inter-

Continued on page six



■ **Profile:** First Austrian Bank

Small, strong and growing

Visitors to Vienna could hardly fail to notice Die Erste österreichische Spar-Casse-Bank. The bank's distinctive logo seems to project from every other street corner.

Investors, too, may pay more attention to Die Erste in the future, as it seems to be about to play a significant and profitable role in rationalising Austria's generally undisciplined financial sector.

Die Erste is Austria's oldest bank and still its strongest. In September, it won the highest rating of Austrian banks, a B, under Moody's new Bank Financial Strength analysis (BFSR). This rating only measures banks' own resources, and specifically excludes government and other external guarantees. But it is relatively small, ranking fifth, with assets of Sch226.1bn at the end of September. This compares with more than Sch600bn at Bank Austria and Creditanstalt-Bankverein, the country's two largest banks.

GiroCredit, the bank that acts as the clearing organisation for most Austrian savings banks (including Die Erste), and Bank für Arbeit und Wirtschaft (Bawag), the trade union controlled bank in which Bayerische Landesbank bought a 45 per cent stake in June, are also bigger.

Until the 1980s, Die Erste was exclusively a Vienna savings bank. Changes in Austrian banking legislation in the late 1970s made possible the acquisition of other banks and the opening of more branches.

In an era when other leading Austrian banks chose to expand their international activities – in most cases unsuccessfully – Die Erste concentrated on building up its core retail business.

Since 1980, it has acquired some 19 savings banks with aggregate total assets of Sch70.6bn. Its purchase of a 70 per cent stake in Sparkasse der Stadt Salzburg in October for Sch1.9bn boosted its network to 318 branches, three times the level of a decade ago and only slightly smaller than that of Bank Austria.

Die Erste is not immune to the weaknesses of Austria's banking industry, which are mainly the result of excessive competitive behaviour by the large number of banks controlled by the public sector, and labour market rigidity. By international standards, its lending margins – 2.1 per cent last year – are thin and its staffing is excessive. Operating costs last year were 76 per cent of interest and commission income, and return on equity only 5.4 per cent. But the bank has worked hard and successfully to attract profitable portions of the retail market – doctors, lawyers and other highly paid independent professionals – and has embarked on a programme to reduce its staff by 15 per cent over the next three years, mainly through natural attrition.

In the first nine months of this year, operating revenue was Sch4.77bn with Sch3.2bn coming from net interest income and just under Sch1bn from commissions. Pretax profit was Sch1.2bn, 11.1 per cent higher than in the same period of last year.

Customer loans account for just over half of the bank's balance sheet, and interbank business for another third. About 30 per cent of lending goes to individuals, 23 per cent to trade and commerce and 10 per cent to housing. Only 5 per cent of creditors are outside Austria.

DIE ERSTE
österreichische Spar-Casse – Bank AG

On the liability side, over 85 per cent of primary funds come from savings deposits. Shareholders' equity at the end of September stood at Sch8.5bn. The BIS capital ratio was 11.6 per cent at the end of last year with a 7.67 per cent tier one ratio.

Die Erste managed to escape the first round of bank rationalisation in Austria in the early 1990s. In the autumn of 1991, Zentralsparkasse, another Vienna savings bank, took over Länderbank to create Bank Austria. That brought into new focus a growing problem over the status of GiroCredit. The new Bank Austria and Die Erste were Giro's two largest shareholders and deposit customers, but also its main competitors in many wholesale banking activities. Moreover, Die Erste and Bank Austria also competed against each other in these areas.

Many thought that Giro and Die Erste, both identified with the conservative People's Party, could be persuaded to merge, but Die Erste was never comfortable with the idea. It was not big enough to buy a decisive controlling interest in Giro and did not want to lose control over its own business.

In the end Bank Austria's parent foundation raised its stake in Giro to 56 per cent last year, and has begun the process of rationalisation by combining the capital markets and some foreign activities of Bank Austria and Giro.

Giro, in which another 75 savings banks throughout Austria also have shareholdings, has recently objected to what it sees as an attempt by Bank Austria to destroy it slowly by a thousand cuts, and it now appears that a new round of negotiations with all parties concerned is under way. A logical outcome would be for Giro to be liquidated and for Die Erste and Bank Austria to share out its businesses and provincial savings bank network. But logic has not always prevailed on Austria's banking scene.

In the meantime, Die Erste has also committed itself to buying a 7 per cent stake in Creditanstalt as part of a consortium of Austrian, Italian and German interests bidding for part of the 70 per cent stake held by the Austrian government. Mr Konrad Fuchs, chief executive, says closer links with Creditanstalt, which also has strong connections with the People's Party, could lead to improvements in efficiency through combined operations in some areas.

The privatisation of Creditanstalt should be completed early next year, but it is impossible to predict whether the the consortium's bid will be successful or not. From an investor's point of view, Die Erste is an unusual beast. Its ordinary shares are held by a private foundation, leaving only non-voting preferred shares available in the market.

More than a third of the preferred shares are held by two Austrian insurance companies, so that only about 2.7m shares worth some Sch1.3bn are in the public float. The trade in the shares is still too thin for inclusion among those continuously traded on the Vienna Stock Exchange.

The bank set up an international investment relations programme a year ago, and the bank aims to increase the float in the future, through new and secondary issues of both ordinary and preference shares.

Ian Rodger

■ **Profile:** Unternehmens Invest (UIAG)

A pioneering equity advocate

"We are like missionaries, we go to small companies marketing the idea of equity capital," says Mr Kurt Stiassny, chief executive of Unternehmens Invest (UIAG), one of Austria's few venture capital companies.

Mr Stiassny operates in a tough environment. Austrian entrepreneurs have grown up believing that equity funding has to be minimised and bank finance maximised – "we were taught at university that high leverage was a good thing," he says.

Debt financing may suit companies in a few stable sectors but it is not ideal for Austria's many small and medium-sized manufacturers, Mr Stiassny argues.

His problem is convincing a small company understand that a broader equity base can help it weather recessions, expand abroad or develop new technologies. Moreover, he says, companies with high borrowings tend to delay telling their bankers when things go wrong.

With a view to stimulating equity investment in small companies, the Austrian government brought a law into force early last year allowing the creation of finance companies for small and medium-sized firms.

These companies are free from both income tax and capital gains tax. Shareholders in these new ventures are also be exempted from these taxes on gains from shares worth up to a value of Sch200,000 (£12,800) nominal.

UIAG was the first company to take advantage of this legislation. It was founded in 1990 by Creditanstalt-Bankverein and a Deutsche Bank affiliate. It floated its shares on the Vienna Stock Exchange shortly after.

Its policy is to take minority stakes in small companies for a limited period. Individual investments range from Sch15bn to Sch350m.

Rising star

Its track record is like that nf must venture capital operations, consisting of a few duds, some good performers and at least one star.

The star is Wolford, a high quality tights manufacturer which came to the market last January since when its shares have soared from an issue price of Sch440 to a recent Sch1,500.

UIAG, which reduced its stake in Wolford from 19 per cent to 2 per cent in the flotation, reported a surge in its first half profits from Sch30m to Sch98m. It made clear that the near doubling of its total assets from Sch363m to Sch619m between the end of June 1994 and the end of June 1995 was mainly attributable to gains from Wolford.

Another big investment has been in Binder & Co, a Styria-based company that makes exterior cladding for buildings and systems for separating waste materials for recycling. UIAG reduced its stake from nearly 26 per cent to 3 per cent in 1993, realising a profit of Sch65m.

UIAG's other stakes are in JCK Holding, a German textile trading company; Schrack Seconet, a maker of hospital fire alarm and communications systems; Le Duigou, a perfume distributor; and HWS Energy, a Canadian company developing a method for making hydrogen from electrolysis.

Mr Stiassny says the group looks at about 100 companies per year for possible investment. It rejects 50 of them immediately and does a full feasibility study on 10.

As the list of companies in which UIAG invests shows, the firm is wary of high technology companies. It has been willing to make investments abroad because of the difficulty of making satisfactory deals with Austrian companies.

UIAG is setting up its own international network. It has established representatives in Prague, Bratislava and Budapest. And it is setting up a joint venture with a Canadian consulting company to help small Austrian companies develop in North American markets and assist North American companies build a presence in central and eastern Europe.

Ian Rodger

■ Touring the capital

A day to remember

For the business visitor with a free day in Vienna, **Carina Lafite** highlights some of the city's many attractions

Floodlit splendour: Austria's Parliament Building in Vienna, the capital city — Picture: UPPA

For a princely start, take breakfast in the Palais Schwarzenberg, a baroque palace overlooking quiet and elegant gardens in the centre of the city.

The 250-year-old palace et the south end of Schwarzenberg Platz was converted by the current Fürst Schwarzenberg, just after the Second World War, into a hotel and restaurant.

The restaurant overlooks seemingly endless gardens leading up to the Lower Belvedere, and even at 7:30 in the morning it feels romantic – especially ao after e fresh snowfall.

Aftar breakfast, burn off your kaiserlicher Gugelhupf by crossing the gardens to the Upper Belvedere art gallery where all the Gustav Klimts and Egon Schieles bave recently been brougbt out again, much to the pleasure of Art Deco addicts.

On the way out, ignore the taxi rank and risk a ride in the tram marked D (tickets can be obtained from a machine beside the driver). The D is a bit like the old number 9 bus in London, weaving its wey from one end of the city to the other, passing most of the landmarks along the way. Many of the D trams are also rather ancient, complete with cubicles for fare checkers.

Alight two stops later at the Opera, break away from tbe mobs heading down the glittering Kärntnerstrasse and head for the Secession, a five-minute walk in the opposite direction.

This important Jugendstil building was created in 1897 by the leading figures of tbe Secession Association of Austria's Creators of Fine Arts, including Josef Hoffmann, Klimt, Josef Maria Olbrich and Otto Wagner. It still follows the founders' motto – "To the time its art, to the art its freedom" – and features eclectic displays of Austrian and international modern artists in its frequently changing exhibitions.

Stay witb tbe period and take the Number One underground line from Karlsplatz, a Wagner masterpiece, one stop to Stephansplatz. Walk up the Graben, a broad pedestrian precinct flanked by Jugendstil houses that host some of Vienna's best cake temples and antique dealers and feature wonderfully weird ornamentations on their top floors.

If you feel a little peckish, you can safely trust a sign just off the Graben in the Dorotheergasse with the name Trzesniewski, a tongue-twister even for Austrians. Don't be put off by the fifties decor or the queue – just indulge in the unique sandwiches (recipes are e well kept secret brought in from Poland nearly 100 years ego) and try a *Pfiff*, which translates as 200ml of beer, the maximum amount a Viennese housewife would allow herself before midday.

Or you might take refuge nearby in Vienna's oldest coffee bouse, the still remarkably unspoiled Café Bräunerbof. Try a 'Melange', which is not unlike Café au Lait – and don't be irritated if it takes three to four *Herr Ober, bitte*, before someone advances your table.

Karl Kraus, Josef Roth, Peter Altenburg and other members of the Austrian turn of the century intellectual elite had the same trouble 70 years ago, but they still kept coming back to exchange their revolutionary ideas.

If you bave an interest in jewellery, visit the Dorotheum, which puts on auctions as well as permanent sales exhibitions. A more personal service can be hed at Köcbert in Neuer Markt, wbere the same family that served the Habsburgs is still in charge and the motto remains, 'Noblesse Oblige'.

If you are into old books, maps and prints, Gilhofer's Antiquariat in Bognergasse specialises in Austriaca, Viennensia and natural science.

Then observe the young bankers and other professionals piling into the Schwarze Kameel across the street, a restaurant designed by Adolf Loos and featuring Viennese specialities and excellent wines by the glass.

Oenophiles should try to persuade the owner to let them continue the tasting in the Roman cellar, three levels below the ground floor. Lord Nelson, when visiting Vienna with Lady Hamilton, emerged with e bottle of French champagne, then e rarety in the anti-Napoleon Austrian empire.

Modern art

Cross the Freyung and once again board tram D at Schottentor. Modern art anthusiasts and pop art fans should alight at the fifth stop from Schottentor and visit the Palais Liechtenstein wbicb houses the Museum for Modern Art, including e large part of the Peter Ludwig collection. Nature lovers and joggers should continue and will arrive twenty minutes later at Wertheimstein Park.

This private estate was handed over to the city by Leopold Ritter von Wertheim, a director of the Viennese Bank Rothschild, at the turn of the century. The Biedermeier-style villa has been left untouched and turned into a museum, giving the visitor e rare feel for how arts, politics and finance blended together at that period.

Anotber architectural treasure is the strange Art Deco house built by Otto Wagner for himself and his family in 1890 in the Vienna woods. It was restored after the second world war by the painter Ernst Fuchs who added his own contemporary style to the decoration. Best reached by taxi.

If you want to remain in the same period and bear some good music too, attend a coocert in Wagner's masterpiece, Tbe Steinhof Institution Church, situated to the extensive gardens of the Psychiatric Therapy Institution of the City of Vienna.

Music lovers will be pleased to know that a oew electronic ticket service enables you to buy tickets for most events at banks and some shops rather than having to queue at the Bundestheaterkasse – another example of long overdue liberalisation in Austria.

Finish your day at a Würstelstand. Situated in little buts all over Vienna, these stands provide night owls with sausages, beer and insights into politics. If José Carreras is in town, you might spot him at his favourite Würstelstand by the Opera.

□ *Addresses:*
Hotel Restaurant Schwarzenberg, 1030 Wien, Schwarzenbergplatz 9.
Oesterreichische Galerie im Oberen Belvedere, 1037 Wien, Prinz Eugenstr.27
Wiener Secession, 1010 Wien, Friedrichstr. 12
Trzesniewski, 1010 Wien, Dorotheergasse 1
Cafe Bräunerhof, 1010 Wien, Stallburggasse 2
Dorotheum, 1010 Wien, Dorotheergasse 17
Köchert, 1010 Wien, Neuer Markt 15
Gilhofer, 1010 Wien, Bognergasse 2
Schwarzes Kameel, 1010, Bognergasse 5
Museum moderner Kunst, Palais Liechtenstein, 1090 Wien, Frstengasse 1
Werthheimsteinpark, 1190, Döblinger Hauptstrasse 92
Villa Wagner, Privatmuseum Fuchs, 1140 Wien, Hüttelbergstr. 26

■ **Tourism:** by Ian Rodger

German stayaways hit earnings hard

Competition from exotic locations is proving hard to match

You have to give the Austrians full marks for effort. They are promoting their ski resorts this season – even in Switzerland.

That is a good measure of the desperation that has justifiably spread through the country's tourism industry in the past year or so. The country that used to enjoy the world's largest per capita earnings from touriem has snddenly seen its net income from this source *shrink dramatically*. Indeed, the net tourism surplus has slumped from Sch61.4bn in 1993 to Sch43.7bn last year and only Sch27bn in the first nine months of this year.

Not so long ago Austria's tourism industry seemed to have the best of all possible worlds – a landscape that appealed to boliday makers in both winter and summer and an extraordinarily ricb cultural heritage that drew thousands of visitors every year to its two principal cities, Vienna and Salzburg.

Tourism accounted for close to a tenth of gross domestic product and employed around 400,000 people, 11 per cent of the labour force. In 1991, it brought in Sch160bn in foreign earnings.

Today, as the country's income from tourism sags, sending the balance of payments into record deficits, many people wonder wbat what has gone wrong, and, whatever it is, whether it can it be fixed.

Most economists believe that tourism will not recover its past economic prominence. An official in the ministry of economic affairs pointed out that a long term decline had in fact been detectable for many years. The combination of the steady reduction in real travel costs and the opening of relatively low cost resorts in exotic locations has created competition that Austria cannot match.

However, this decline was interrupted in the early 1990s by a number of extraordinary factors that resulted in many people failing to spot the underlying trend.

The lifting of the iron curtain in 1939 released a huge flow of curious visitors from former eastern European countries. The Gulf war in 1990 discouraged many Austrians and other Europeans from travelling abroad. In the summer of 1991, reports of polluted beaches on the Adriatic See drove many European boliday-makers to Austria'e pristine alpine lakes instead. The war in former Yugoslevia has stopped many people from taking both winter and summer bolidays in that region, to Austria's advantage.

All these extraordinary pbenomena have faded in the past year or so, and a reverse pressure has occurred because of the strength of the schilling – which is tightly tied to the D-Mark – against most currencies.

In the first seven months of 1995, the number of overnight stays in Austrian hostels fell by 4.2 per cent to 74.4m. This decline has been entirely attributable to foreign guests. Domestic guests were actually up 0.7 per cent.

The worst declines were registered by guests from Britain (–13.4 per cent) and Italy (–8.9 per cent), countries where the national currency has dropped significantly against the schilling.

A more disturbing statistic is the 7 per cent drop in overnight stays by Germans. Austria's northern neighbours are by far the most important group of visitors, accounting for nearly two thirds of the total, and currency is not an issue for them.

That can only mean that Germans are finding better value elsewhere. Critics say that many Austrian resorts have not responded quickly enough to changes in public tastes and to their reduced competitive standing.

"We have to ask what people are looking for and what they want to do. We have tbe resources but we have to ask the right questions. Holiday makers do not come to look et the electric power stations." Mr Werner Schicklberger, an economist at Bank Austria, says.

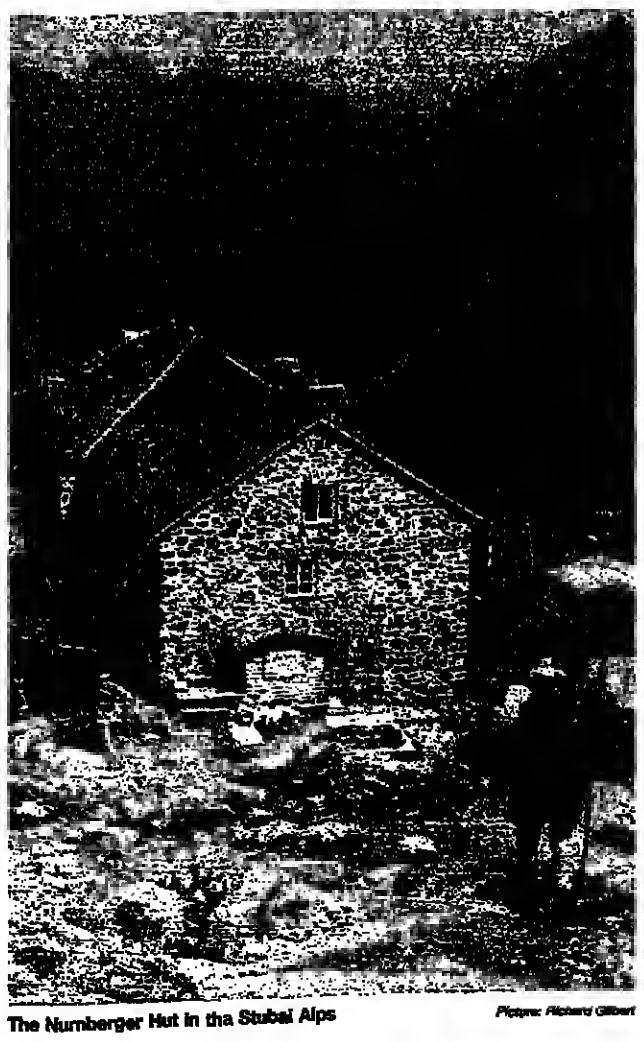
The Austrian National Tourism Organisation and the provincial tourism agencies have recognised the changes and have been offering low cost packages to cater to special intereet groups for several years.

Mr Josef Christl, bead of the economics department at Creditanstalt-Bankverein, and one of the first economists to be pessimistic about tourism, says it is simply a matter of price. "There bas been sucb a buge change in the relative prices of tourism for both foreigners and Austrians. We do not see a recovery".

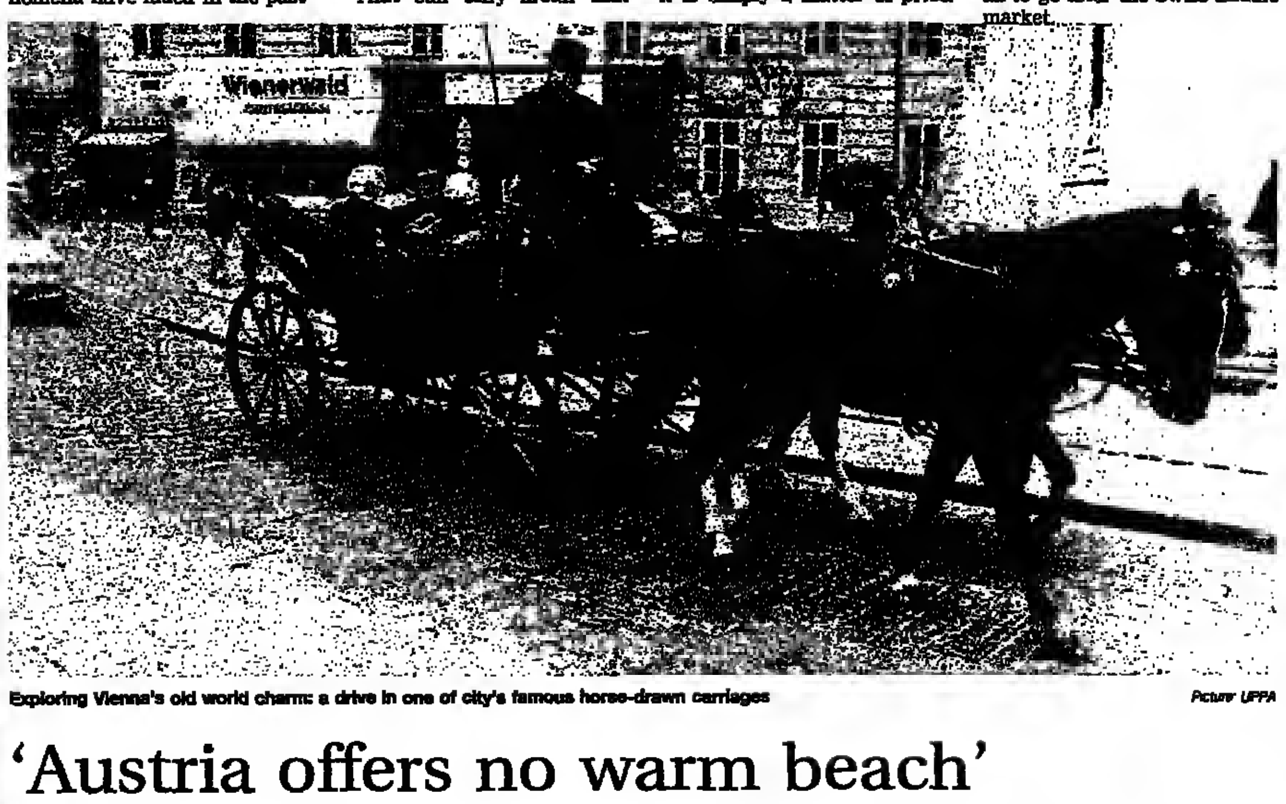
Mr Werner Schicklgruber, an economist at Bank Austria, is less gloomy. He points out that urban cultural tourism has beld up extremely well, with Vienna and Salzburg botb reporting slight gains in overnight stays so far this year.

He says Austria's particular vulnerability was tbat it appealed to middle earning Germans, individuals who would pack their family into the car and pull a mobile home to a trailer park by a lake in Tyrol. They are the ones who are most likely to be impressed by lower prices elsewbere.

The obvious answer would appear to be to move upmarket, but it would be difficult for Austrie to compete with Switzerland, which bas a strong hold on this area. So perhaps it is not so silly after all to go after the Swiss middle market.



The Numberger Hut in tha Stubai Alps — Picture: Richard Gilbert



Exploring Vienna's old world charm: a drive in one of city's famous horse-drawn carriages — Picture: UPPA

'Austria offers no warm beach'

Continued from page three

with the deterioration of the current account balance in the past three years, canaed mainly by a sudden weakening in the tourism balance.

"We are not in a position where we have to be worried, but we have to find ways to improve all the activities in the balance of trade. We have skilled people, but we have to do more in research and davelopment."

Tourism would not resume its former position as the balancing factor for e chronic visible trade deficit – "there is a general change in people'e leisure behaviour. They want to see more exotic places and it has become cheaper to get to these places. And we do not have a warm beach in Austria in winter".

As the former head of the stock exchange, Mr Liebscher remains very committed to the development of Austria's anaemic capital market. "What i try to do is explain to people that we were like Sleeping Beauty. We had 30 years of silence and then the market was discovered by international investors and it woke up. Expectations were very high and we have had to do a lot in a short time.

"What we need to do now is to attract large institutions, and we can only do that if we have more and larger companies on the market." Privatisations have been very successful this year, he points out.

On the banking front, he is not critical of the seemingly never-ending attempt to complete the privatisation of Creditanstalt-Bankverein – "it is not good for e bank with a high reputation to be always in the newspapers. I hope in 1996 we will come to a solution".

Mr Liebscher dissociates himself from the strident position of his predecessor who said last year it was unthinkable for Creditanstalt to be controlled by non-Austrian interests. "We are in e liberalised world so we should be relatively open. The idea of a core holding in Austrian hands has my sympathy, but it is not the only factor. In the end, the most important thing is what belps the business of the bank."

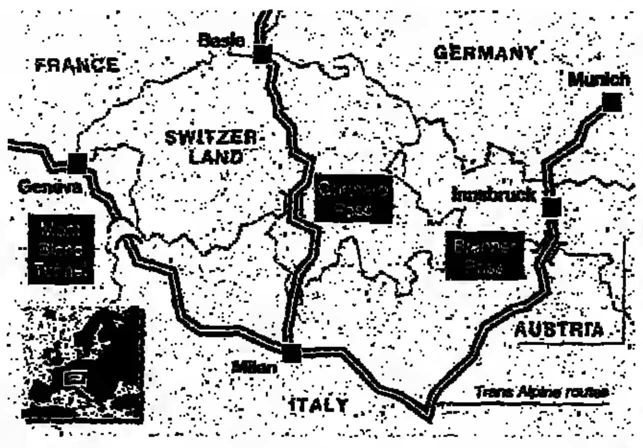
Mr Liebscher rejected recent reports of several billions of dollars being laundared through Austrian banks. "I do not understand such claims. We watch over foreign exchange movements and there are no indications of such large transactions."

The 1994 banking act revisions had put in place a strong set of measures to prevent money isundaring througb Austrian banks, including an obligation on bankers to report any suspicious dealings or clients. Some reports on accounts wortb Sch2.7bn had already been lodged, and accounts with some Sch600m bad been blocked. "The system is working, the banks are very cautious."

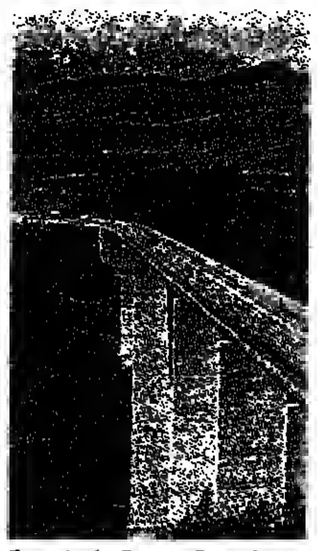
He dismissed worries in some quarters about Austria's anonymous numbered bank accounts. Foreigners were not allowed to use them, and could not use Austrian representatives as fronts, because bankers were obliged to assure themselves about the identity of the beneficial owners of an account.

Transport: by Ian Rodger

The hills are alive with sound of motors



Increasing volumes of traffic have led to protests over congestion and pollution


Route to the Brenner Pass: the Europa Bridge, near Innsbruck

Arriving at the top of a high alpine pass can be exhilarating, providing a sense of echievement as well as beautiful views in all directions.

Not so at Austria's Brenner pass, for centuries the main thoroughfare betwaen Italy and Germany, and atill tbe easiest way across the Alps.

Approaching the Brenner from the Austrian side is a depressing exparience. The long, gently rising Wipp valley has been badly scarred by a motorway built in the 1960s, wben giant concrete bridges and cliffside spans were deliberately erected to be seen.

At the narrow pass itself, the motorway jostles for room with the old road and a double-track railway. The small space which remains is covered in tarmac to serve as a loading and unloading station for lorries piggybacking on the railway.

Piggybacking has to end at the pass because Italy is several years late in fulfilling its promise to enlarge the rail tunnels on its side of the border.

The issue of bow best to manage freight transit over the Brenner appeared to be settled with an agreement between Austria and the European Union in May 1992, but it has arisen again this autumn.

In early October angry residents of Innsbruck and other towns on the Brenner ronte blocked the motorway for 24 bours and served notice they would do so again unless the volume of truck traffic was reduced.

"There is no longer a possibility of a compromise. We are building an alpine attack force," saya Mr Fritz Gurgiser, head of Transitforum Austria, a local pressure group with broad support from the Austrian Alpine Clnb.

Mr Gurgiser, who runs e steel fabricating business near Innsbruck, says the measures aimed at reducing traffic and pollution whicb were introduced with the transit agreement have not worked.

The number of lorries in the first half of this year was nearly 725,000, 37 per cent higher than in the same period of 1991. This has been possible because the number issued of so-called "eco-points", the currency concelved to control movements, was far higher than it should have been. This, Mr Gurgiser alleges, was the result of lobbying by haulage companies.

(Ecopoints are distributed by Brussels to all interested EU countries without charge. Each lorry crossing the Brenner must spend e number of ecopoints depending on the amonnt of NOx (Nitrous Oxide) per kilowatt-hour that it spews out. The idea is that hauliers can only expand their usage if they use lorries that pollnte less. In theory, the overall number of ecopoints issued was also intended gradually to decline but this has not happened.)

Mr Gurgiser also complains tbat Austrie's lorry road charges are having to be reduced to bring them into line with EU levels, thereby removing the incentive to use the piggybacking service or pure rail freight.

Austria'a ministry of transport does not contest Mr Gurgiser's facts and figures but puts a different interpretation on them.

Yes, too many ecopoints were issued, it says, but an innocent estimating arror was made because statistics on transit traffic were not complete. They excluded empty lorries and those dropping part of their load en route.

It agrees, too, that lorry road cbarges beve had to he reduced, but says the Austrian government has tried to offset the impact of this by raising lorry road taxes and fuel taxes, which only affect Austrian lorries, and by doubling the Brenner motorway toll last July. These measures will bite only gradually, bowever, and in the meantime, piggybacking is down 20 per cent this year.

One main reason for the increase in traffic has been the recovery of the Italian and German ecooomies this year. Lorry traffic over the Brenner stabilised between 1992 and 1994, leaving most countries with plenty of nnused ecopoints.

Today, there is a shortage of ecopoints in some countries, and Austria, which has not used all of its points, has been called npon to return them to Brussels for distribution to those hardest hit.

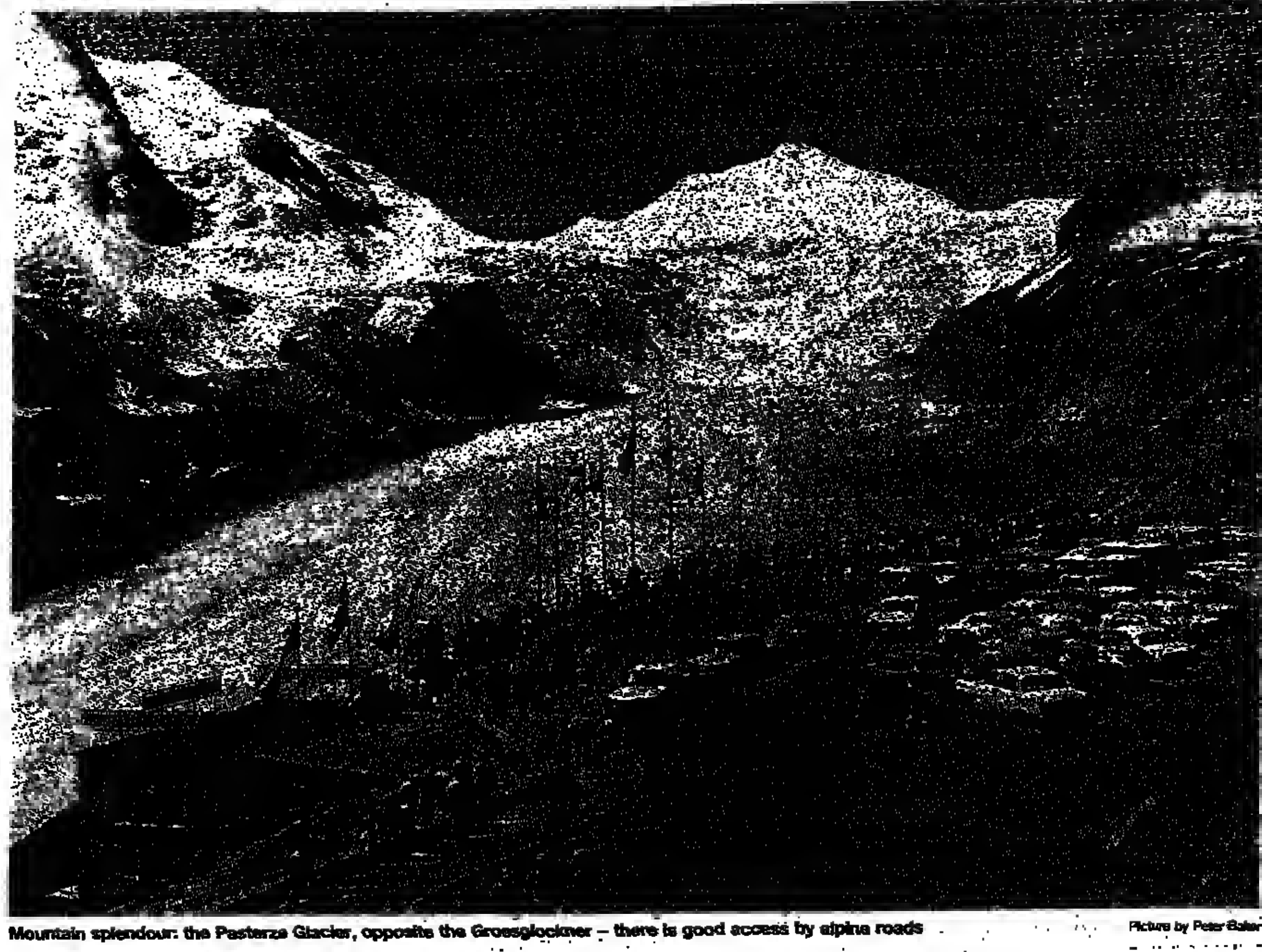
Meanwhile, the government, together with its EU partners, is working on longer term solntions. In mid 1997, e system of fees based on distance travelled will be introduced for lorries, thereby encouraging the movement to piggybacking. As an interim step, the government plans to introduce a flat rate vignette for all vehicles using motorways next summer.

Also, tbe governments of Italy, Germany and Austria and the European Commission agreed a year ago to launcb a long term project to upgrade the rail line between Municb and Verona.

The plan is to build it step by step, with the heavily travelled section between Innsbruck and Wörgl, being tha first. Brussels bas recently contribnted Sch100m toward the estimated Sch800m planning costs and the government bas established a joint stock company with the bope of attracting private partners to the project.

The last step would be a new base tunnel under the Brenner, but it would be built only if necessary. Mr Gurgiser believes the existing rail line, wbose capacity is not even a quarter used, will prove adequate for all foreseeable needs. The ministry says it does not know, but the decision can be postponed for at least five years.

It all sounds promising, but it remains to be seen if the Tiroleans will be patient.


Mountain splendour: the Pasterze Glacier, opposite the Groesglockner – there is good access by alpine roads

Picture by Peter Baker

Gaming companies: by Ian Rodger

Yielding healthy returns

A casino operator and a slot machine maker have expanded outside their home market

Austrians are not noted for being keen gamblers. Yet the country is host to two large companies that are active throughout the world in the gaming business.

Casinos Austria is a state-controlled group with a quoted Australlan subsidiary that claims to be the largest casino owner and operator outside the US. It runs gaming bouses in locations as diverse as Christmas Island and Argentina and oo many cruise ships too.

Novomatic, a privately-owned group based in a Vienna suburb, is still a modest particlpant in tbe casino business, but ranks itself as the world's sixth-largest maker of slot machines with annual sales of some Sch2.5bn (£160m).

Supporters of Harvard professor Michael Porter's theory that companies in a given sector thrive by clustering togetber sbould not get too excited.

There is little evidence that the two have had any inflnence on each other's development, except that Casinos Austria is a significant customer for Novomatic's slot machines.

Casinos Austria was set up in the 1930s to promote domestic tourism, but fell into mysterious hands after the second world war. When the finance ministry refused to renew its licence in the late 1960s, the national tourist office bought it. Two of the country's leading insurance companies took minority stakes.

The insurance companies and a few other independent investors are still shareholders. Two years ago Münze Oesterreich, the Austrian Mint, took over tbe controlling staka, after the privatisation of the tourist office.

An initiative was made at the time to launch the group on the Austrian stock market. In the end it was decided to keep its ownership in the

NOVOMATIC

hands of the state and existing institutional shareholders. Mr Leo Wallner, tbe man wbo rebuilt tbe business and remains its chief executive, worries about undesirable types buying big shareholdings and throwing their weight around.

Novomatic was started by Mr Johann Graf in 1970 as a small operation selling and servicing slot machines and juke boxes in bars in the Vienna area for British group JPM.

Graf, wbo still owns 97 per cent of the group ootright, began manufacturing on his own account in the late 1970s just as the application of electronics to slot machines was becoming practical. Today, Novomatic controls more than 10,000 slot machines.

Both companies see a rosy future for their businesses. "Governments everywhere need more money. We provide it in a convenient way," says Mr Graf, referring to the tax revenues govarnments make from gambling.

But their strategies for exploiting that future to the full are strikingly different.

Casinos Austria is continuing with its winning strategy of tbe past two decades: expanding aggressively abroad and while carefully tending its monopoly at home.

From a modest start in the Netherlands, the group now operates 55 casinos in 14 countries and another 21 on cruise ships. It first published consolidated accounts for 1994, revealing profits before tax of Sch99.9m on revenues of Sch8.2bn.

Last year, it spun off its activities outside Europe into an Australian company. It floated 45 per cent of the concern's shares on the Australian Stock Exchange in December at a price of A$1 per share.

Mr Wallner explains that the group wanted a legal entity that would not be associated with the European Union. The parent retains a firm grip on the unit through its statutes. These stipulate that Casinos Austria must maintain majority ownership and that no other investor can hold more than five per cent of its shares.

Mr Wallner says that the group avoids operating in areas where security is uncertain. It has withdrawn from Moscow and has never tried to start operations in the Andean countries of South America where drugs cartels are powerful. It withdrew from Croatia when the war began in former Yugoslavia.

In March Casinos Austria opened what it describes as Europe's largest casino in the resort town of Baden, south of Vienna. Built at a cost of Scb800m, it has 35 gaming tables and 317 slot machines.

Novomatic too is interested in expanding its business as an owner or operator of casinos, but slot machines remain its main focus. Mr Graf believes that today's gamblers prefer

CASINOS AUSTRIA

the privacy and anonymity of these machines to the social glitter of the gaming tables. And that is fine with casino operators because slot machines need fewer staff to service them and are thus more profitable.

Novomatic sells its machines under a number of brands but is increasingly settling on the Admiral name. Its strategy relies on continuing innovation in the games on the machines. Mr Graf says he spends 10 per cent of revenues on product development and brings out 20 new models a year.

Both groups are excited about the recent legalisation of gambling in neighbouring Switzerland and bave been prominent among those seeking licences to operate full-scale casinos there.

Mayr-Melnhof expands into eastern Europe

Continned from page four

est in the environment. Its board manufacturing is based nn recycled waste paper.

"We are in e good position in the face of legislation on packaging. We can demonstrate that [in terms of production] we are in a closed loop," Mr Gröller says.

Mayr has adopted a strategy of acquiring competitors in these three highly-fragmented sectors. It has accelerated the pace since raising Sch2.9bn from the public offering.

The carton board division is already the European leader with plants at eight locations, capacity of 1.1m tonnes a year and a 30 per cent European market share.

The group claims its folding carton division is also the largest in Europe, since the acquisitions of Walmsley in the UK and Impack't Cartonnages in France last summer. But it still has only a 5.5 per cent share of the 3.5m tonnes-per-year European market – "we think we need a 10 per cent share in Europe and to ba market leader in the big markets: Germany, Britain and France," Mr Gröller says. The waste paper division collects and sells 1.2m tonnes of its raw material a year and claims to be in the top five in Europe.

In spite of Mayr'a apparent vertical integration, tbe group's divisions do not bave to buy from each other on an exclusive basis. The carton board divisinn buys only 40 per cent of the waste paper it uses from group companies, and the folding carton division buys only half of its board from internal sources. Purchases by tbe folding carton division account for less than a tenth of the sales of the carton board business.

The group is expanding into eastern Europe and working hard to produce recycled board of high enough quality to displace virgin material in high-value product packaging, such as for cigarettes. It also is developing a barrier board to displace board-plastic laminates in waterproof epplications.

Mr Alfred Fogarassy, deputy chief executive, defends the group from criticism over last year's earnings forecast revision. "We had never seen an explosion in waste paper prices like that." He says the price went from negative – the suppliers paid Mayr to pick it up – to DM300 (£135) per tonne in the space of a month. He also defends the initial stock price. "We bave deprecieted our assets a lot and we have lots of reserves, as will become clear in the next five years. The book value of tha group is about Scb7bn but the insurance velue is more than Sch30bn."

Ian Rodger

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■ **The press:** by Eric Frey

End to subsidies feared

The debate over state hand-outs to newspapers is becoming increasingly heated

Austria'a leading newspapers bave been among tbe most ardent advocates of cbange but, if It ever comes, they will pay a beavy price. Whoever wins the elections on December 17, will cut or abolisb the Scb300m in state subsidies to the newapaper industry that have kept many publications afloat.

Before the coalition government of social democrats and conservatives fell out over the 1996 budget in October, tbey had agreed to cut press subsidies by *10* per cent. But this reduction is too small for Mr Joerg Haider, the leader of the right-wing Freedom Party, who has accused tbe subsidised press of supporting the government in return and has demanded tbe abolition of all hand-outs to tbe media.

Mr Wolfgang Scbuessel, chairman of the conservative People's Party (OeVP), has also pubbcly supported significant cuts. Proponents of the subsidy say they need the hand-out in order to maintain diversity of opinion in a market too small to support a range of different papers. They also cite the unusually high ownership concentration in the industry and claim that the subsidies have not resulted in political interference.

Besides direct subsidies, generous state aid has flown to some papers for the building of new printing plants and other projects that it is believed will create jobs. Newspaper publishers say they would rather live without hand-outs.

They blame tbe country's lack of anti-monopoly regulations for their financial woes.

This allowed the two largest tabloid papers, Kronenzeitung and Kurier, to join forces with the help of a German media group, Westdeutscbe Allgemeine Zeitung (WAZ), in the mid-1980s. Mediaprint controls more than 40 per cent of the national paper and magazine market and more than 60 per cent in Eastern Austria. Kronenzeitung alone bas 2.7m readers out of a total population of 8m.

If the substdies are abolisbed, the main losers would be Vienna's two main quality dailies, the centre-left Standard and the conservative Presse, which each have circulation of less than 70,000 and are fighting a bitter battle over circulation and advertiaing in an increasingly crowded market.

Both papers receive about Scb35m a year from the government, hnt tbey are *still* deep in the red and have little

Haider demands the abolition of government aid to the press

prospects of turning a profit soon. Presse is the more established of the two papers but it bas recently heen through a period of dramatic change, moving from hroadsheet to mid-size format and has been gaining circulation after several years of decline.

Presse has also just appointed its third editor-in-chief in 12 months as 37-year-old Mr Michael Maier decided to leave for a post in Germany after only seven months at the helm. He had been widely criticised by the conservative business establishment, which controls the paper's management through the chamber of commerce, for shifting to the political centre.

His successor, Mr Andreas Unterberger, is expected to *return Presse to the conservative* fold.

Standard bas avoided turmoil in its leadership, but is in even deeper financial trouble. The paper was founded in 1988 as a liberal and independent voice and quickly shot up to the top in quality newspaper market. But it never posted a profit, persuading the German publishing giant Springer, that financed the start-up, to sell its 50 per cent stake in the paper to the pnblisber, *Mr Oscar* Bronner, for Sch150m.

Since 1988, Springer had put in about Sch800m into the project. Mr Bronner, who beld the other half, mortgaged all of his Standard shares to Bank Austria, the country's largest bank, for a Sch200m loan to finance the buyout and cover future losses.

Mr Bronner now has to stem the paper's losses and find a new foreign partner, or risk losing control of the paper.

To make matters worse, a new business daily has entered the race. Wirtschafts Blatt was launched in October with the belp of the Swedish publishing house Bonnier.

Sales and subscriptions have been disappointing so far, but the paper has taken a large *share of the financial* advertising market by offering *cut-throat prices. Mr Bronner* recently filed a law snit against Mediaprint, because the company included Wirtschafts Blatt in its home-delivery network while refusing to distribute Standard. Mr Bronner claims that this is a clear abuse of excessive market power.

Mediaprint argues that Standard competes directly with Kurier, which also aims for quality reporting, while Wirt*schafts Blatt* does not. *The* outcome of the law suit is closely watched by the industry. A ruling against Mediaprint could result in the break-up of the group. That would make room for smaller papers and would lessen their dependence on government subsidies, media experts say.

But a break-up of Mediaprint is seen as a political suicide mission because the two largest papers would punish any party advocating such a step. Mediaprint has already won another battle.

The tabloid Taeglich Alles, which shocked the market three years ago with flashy colours and a price of only Sch3, is in deep trouble. Circulation is well below that of Kronenzeitung, and its muck-raking style and low-income readership profile bas kept most advertisers away. Losses are mounting, but its owner Mr Kurt Falk, who took Sch2.2bn by selling his 50 per share in Kronenzeitung in the mid-1980s, is determined to survive.

The advertising pie for the printed press is likely to shrink further because of new entries in the television market, making survival for some papers even harder. RTL, the German private television group, is planning a "window" for commercials specifically aimed at the Austrian market.

And the publisher of Kronenzeitung, Mr Hans Dichand, has a good chance to hreak the state monopoly of the Austrian Broadcasting Company ORF and establish the first private TV channel.

To ease the pressure on the press, publishers want the government to abolish the 10 per cent levy on all advertising, which they say has hampered the growth of advertising revenue and has given an unfair advantage to direct mailings.

■ **Profile of Otto von Habsburg:** by Carina Lafite

Grand old man of politics

Why membership of the EU has been a personal victory for the son of the last emperor

European bistory bad taken a less violent turn in 1914, Otto von Habsburg might today preside over the Austro-Hungarian empire from the glittering Hofburg *palace in Vienna.*

Instead, the first son of the last emperor Karl is an ordinary resident of Pöcking near Mnnich and a member of the European parliament for the German CSU party known mainly for his tireless campaigning for European unity.

Mr von Habsburg, wbo is 83, has been active in Anstrian affairs for most of his adult life. He offered himself as an alternative to tbe Anschluss with Germany in 1938 and pleaded tbe country's cause with US President Franklin Roosevelt in 1945.

In the 1960s, be agreed to *renounce his claims and titles* in return for being allowed into tbe country becanse be wanted to argne the case for Austria joining the European Union.

In his view, it was very important for Austria to obtain fnll membership for security reasons. During tbe cold war period, Austria was obliged to be neutral, bnt this left the country vulnerable.

Mr von Habsburg also believed tbat Europe could learn from Austria's history: people of different nationalities bave lived together in tbe country for centuries.

He is delighted that Austria *has finally joined the* EU *and* is not particularly distressed about the loss of enthusiasm among Austrians since entry in Jannary.

"It is quite understandable that there should be a certain letdown after the great expectations. People expected tbings to bappen mncb faster than they actually conld," be says.

He is, bowever, angry at the country's leaders for continually putting off elections in the European parliament, and sending appointees as a stopgap – "appointed members are considered only to he half members," he argues.

He also bopes that the country will send its best and brigbtest civil servants to Brussels. Otberwise, its chances of influencing things will be limited, be says. In bis view, the *practice of sending* balanced delegations of Social Democrat and People's Party representatives to Brussels jnst makes the country look silly in the eyes of its EU colleagues.

Mr von Habsburg lays tbe blame for Austria's current

Von Habsburg: 'The EU is very much a security system'

political turmoil mainly on the system for electing members of parliament, which takes proportional representation to an extreme. Each political party prepares lists of candidates and, starting from tbe top, those on the list get into parliament according to the *proportion of seats* won by the party.

"This means that parliament is dominated by the political parties. In my view, tbis is contrary to democracy," Mr von Habsburg says.

He does not endorse Mr Jörg Haider's call for radical constitutional reform and the formation of a third republic. "But," be acknowledges, "there is a great need for reform to give democracy a much firmer base by *the direct election of* members of parliament."

Mr von Habsburg is a strong advocate of EU enlargement to include eastern European countries – even though it would probably lead to large scale immigration into Austria.

"Tbe Austrian labour market bas lacked competition in recent years, and I think more of it would do a lot of good.

"Anyway, the EU is not only an economic and political structure. It is very much a security system, and the quicker we get advanced countries such as Hungary, the Czech Republic aod Slovenia into tbe system, the better it will be for Austrian security. In my view, Russia is unlikely to be that peaceful in the future."

■ **Education:** by Carina Lafite

Teachers resist reforms

Moves to make staff responsible for spending decisions could lead to a crisis in schools

Austria's education system has until recently never been front-page news. Its 120,000 teachers have catered for some 1.2m pupils up to the age of 18 in 7,000 schools without mucb fuss.

It is a free service except for a few private schools run mainly by the catholic cburch. But even private education is cheap by international comparison; teachers are paid by the government and parents pay only Sch1,300 per month fees.

According to the OECD's 1995 Education Report, the system ranks among the four best in Europe in terms of providing school leavers with a solid general education.

However, this paaceful *regime of cheap and good* education seems about to come to an end.

For the first time in memory, the education budget for next year will not grow in real terms – it will only increase by 1.5 per cenl to Sch67.2bn. That is *forcing the education ministry to consider curricnlum* reform, local management antonomy and other basic new ideas to help keep the schools running smootbly.

But as in so many areas where reform is considered in Austria, there is a well entrenched group – in this case made up of teachers – that is suspicious that any changes might weaken their rights and entitlements.

In Austria, almost all teachers are *civil* servants, directly employed by the state with lifetime tenure guaranteed. They also have exceptional professional protection in that no one witbout a university degree or a certificate of the Lehrerbildungsanstalt (college for primary school teachers) is allowed to teacb.

And since more than 90 per cent of the education budget is

Hard lessons ahead? The education budget is being squeezed

spent on teacber salaries, there *would not appear* to be mucb room for manoeuvre.

Mrs Elisabeth Gerer, who was appointed education minister last spring, has chosen to see the hudget squeeze as an opportunity. "It is high time that Austrians grasp that it is possible to achieve an increase in quality without pouring in extra funds," she says bravely.

Mrs Gerer bas already pusbed through new regulations giving individual schools considerable budget autonomy. From next January, instead of baving to apply to the ministry for funds to buy pencils or take the pupils on a hiking outing, the scbools will receive a block grant based on their head count and be able to make their own decisions.

All scbools have *already* been given tbe right to supplement their budgets by renting out their facilities when they are not being used. And 24 institutions have been chosen for a pilot project to try out the new block grant system immediately.

Predictably, some teachers bave already erupted, saying they do not want to take the responsibility for spending decisions. Mrs Gerer admits that most have not been very enterprising so far. "They are just not used to it," she says. She is encouraging bead teachers to attend management seminars.

Introducing more flexibility in the curricula will prove a bigger cballenge for Mrs Gerer. Tbe contents of most curricnlum streams bas been virtually tbe same for many decades. "Sound general knowledge is *essential*, but *just look* at the cbanges in and around Austria – we need the school leavers to face up to the new challenges in Europe as well.

"For example, I want to cut down Latin from five obligatory hours per week and introduce more modern languages," she says.

However, given the strength of the teaching unions, it will be difficult to bring in non-qualified teachers for special subjects, and additions to curricula can only be introduced on a voluntary basis.

Fortunately, some schools jump at the chance.

Mrs Eva Reichl, head mistress of the state run Gymnasiumstrasse gymnasium (high school) in central Vienna says that parents and teachers have relied too much on the government to look after education.

"Although I am not happy with budget cuts, they can also be a chance to mobilise new efforts from parents, teachers and pupils," she says.

Mrs Reichl berself sought out a computer company that would be *willing to plug the* school into Internet. "This would bave never been possible with government funds," she says.

Similarly, for the moment, there is no question of bonus pay for teachers who give extra performance. "I have quite a *number of colleagues* who contribute a lot to extra-curricular activities, but I have to treat them the same way as the ones who do tbe minimum," Mrs Reichl says.

Mrs Gerer is in no hurry to tackle the touchy issue of performance related pay. "Tbe very strong hierachy in Austria cannot be changed overnight," sbe says.

But she is working on a new job profile for the teaching profession. "Nowadays, we cannot expect to keep one job or one profession for life, but unfortunately this is still seen as an inalienable right by many Austrians," she says.

It could all prove too much for Austria's teachers. For the first time in their history, they have *not ruled out strike* action as a means to protest against these reforms.

AUSTRIA: Key facts


The State Opera House, Vienna, left; and the baroque facade of Belvedere Palace

The Republic of Austria is a land-locked country with an area of 83,845 sq km (32,378 sq miles) of which 18.2 per cent is crop land, 24.1 per cent permanent pasture land, and 39 per cent forests and woodland; 18.7 per cent of land is put to other uses.

Population
7.9m (1993); 93 per cent of residents are of Austrian nationality, of whom 94 per cent speak German, the official language; heavy dialect is in daily use. There are linguistic minorities of Slovens (29,000), Croats (60,000), Hungarians (33,000) and Czechs (19,000).

Principal towns
Vienna (capital, population 1.53m), Graz, Linz, Salsburg, Innsbruck, Klagenfurt, Villach, Wels, St Polten, Dornbirn.

Head of state
President Thomas Klestil, sworn in July, 1992 for six-year term.
Chancellor: Franz Vranitzky, (Social Democratic Party, SPOe).
Vice-Chancellor: Wolfgang Schuessel, (People's Party, OeVP).

Culture and religion
Roman Catholic, 78 per cent, according to 1991 estimates, down from 83 per cent in 1981. The downward trend accelerated in the early 1990s; latest estimates put the figure at 75 per cent. Around five per cent of the population is Protestant. The nuclear family is the norm in Austria – it is common for both parents to work; young Austrians tend to live in their parental home until they marry. In part, this reflects the length of time taken to complete university courses, although Austrians marry at a younger age than the European average.

Currency
Austrian schilling: exchange rates, December 4, 1995: £stg = 15.5; $ = 10.1; DM = 7.0; Yen (Y100) = 10.0.

Business hours
Banks, 0800-1230 and 1330-1500, Monday-Wednesday and Friday; 0800-1230 and 1330-1730 on Thursdays in Vienna, with slight variations in other areas. Some businesses do not work on Friday afternoons. Offices: 0800-1230 and 1300-1730, Monday to Friday. Shops: 0800-1830, Monday to Friday; 0800 to 1300 on Saturday; 0800-1700 on the first Saturday of the month in main shopping areas.

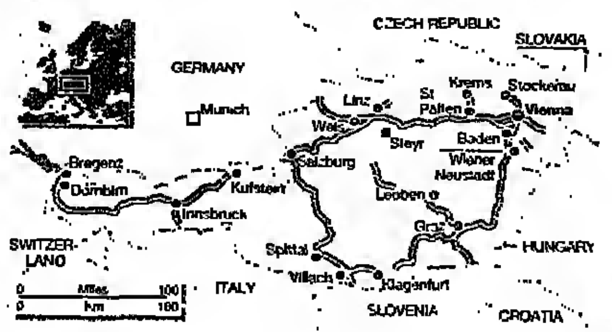
Climate
Ranges from cool temperate to mountain-type, according to location; winters are cold with considerable snowfall, but summers can be very warm; the wettest months are May to August.

Time zone
Six hours later than US eastern standard time; one hour ahead of Greenwich Mean Time, GMT: GMT+2 from end of March to end of September.

Business and social hints
Appointments must be made in advance and punctuality is important; the usual form of address is Herr or Frau, followed by family or surname; handshaking is universal in business and private meetings, both when arriving and leaving. Business is usually conducted in German, although many executives speak a second language, including English; for restaurant meetings, dress formally, as for business meetings. Tipping is widespread and usually expected. When visiting private homes, it is usual to take flowers or confectionery for the host or hostess.

Traditional Austrian food includes Wienerschnitzel, goulash, knoedel (dumplings) and sachertorte (gateau); lunch is the main meal of the day.

Data source: FT Library Service



■ **Salzburg Seminar:** by Ian Rodger

A centre for fast-trackers

Salzburg Seminar's world focus is on diplomatic, economic and social issues

What do Marcel Marceau, the French master of mime, Bob Hawke, the former Australian prime minister and Lord Dahrendorf, the prominent British economist, have in common?

They, along with 16,000 others from 123 countries, have been fellows at the Salzburg Seminar, a private institution with mainly US private backing, aimed at helping young people on the fast track get to know their counterparts elsewhere.

The Seminar was set up in 1947 by a few US intellectuals, including the famous anthropologist Margaret Mead, to expose war-battered European leaders to American culture and scholarship.

The founders were offered the use of Schloss Leopoldskron, an 18th century castle in Salzburg that subsequently became famous as a stage set for the film of *The Sound of Music*. The Seminar later bought the castle and its grounds and has stayed there ever since.

Over the years, its focus has gradually shifted away from American studies to international diplomatic, economic and social issues.

Next year it will offer sessions on sustainable agriculture, human rights, the power of theatre, conservative political movements in western industrial societies and the problem of meeting the health care needs of under-served communities.

"There is no point in us doing management training," says Olin Robison, a US academic who has presided over the Seminar for the past four years. "If you want your rising star to produce a better widget, send him elsewhere. But if you want him to get multinational experience, matching wits with fast-trackers from other countries, this is a bargain," he says.

Sessions once lasted six weeks, but Robison has cut them down to one week, recognising that today's rising stars are unlikely to be able or willing to take more than that off from their jobs.

Salzburg Seminar Fellows with Schloss Leopoldskron in the background – made famous in the film, 'The Sound of Music'.

Multi-national forum: Fellows meet in a working group in the library of the elegant 18th century Schloss

There are normally about sixty fellows in a session, and their time is divided between lectures and small workshops. An intense evening social programme is aimed to break down barriers quickly.

Participation of both faculty and fellows is mainly by invitation arising from contacts with the alumni networks. The Seminar pays only travel and on site accommodation for faculty but provides full expenses for more than 90 per cent of the fellows. Fellows can only attend once.

Robison, former president of Middlebury College in Vermont, is especially proud of the quality of faculty he can attract without paying them. Among recent participants have been EC commissioner Sir Leon Brittan, US Secretary of State Warren Christopher and former German chancellor Helmut Schmidt.

For all the international aspirations of the Seminar, it is still largely American in both its feel and its agenda. From the moment one passes through the grand gates of the Schloss, it is as if you have left Austria and entered the United States.

German and other European languages are seldom heard there, and even the freshly scrubbed student hosts and hostesses turn out to have been flown in from US campuses.

Over half of the faculty are American, which means that a US view of the world and its problems inevitably prevails.

Fellows coming from, say, India or South Africa for a session on how to make their non-governmental organisations more effective will learn above all the American way. And they will establish contacts with mainly American sources of funding. The W.K. Kellogg Foundation is the single largest private supporter of the Seminar.

Robison, who operates much of the year from the Seminar's US head office, obviously has mixed feelings about this situation – "we are an American institution, chartered in the US and with 90 per cent of our funding from the US," he says. And he jokes about American taxpayers' money (grants from the State Department) being used to restore and maintain an Austrian historic monument. Yet he also says he would like the proportion of US fellows in the sessions reduced from about half to a quarter – and the broadening of the funding base is "a major goal".

Similarly, Salzburg Seminar is belatedly trying to strengthen its relationships with Salzburg and Austria. The Austrian government has been a regular, if modest, financial backer but it recently agreed to donate Sch25m to help reduce debts incurred six years ago to expand accommodation space.

The Seminar frequently invites distinguished Austrians to participate both as faculty and fellows. "I suspect everyone in the Austrian Cabinet has been here at one time or another," Robison says.

Meanwhile, the Seminar has returned to its roots, establishing this year a separate programme for the study of American culture and language.

This time, the idea is to provide ideas and materials to academics from central and eastern European countries who are now free to teach American studies without the Marxist overlay. More than 300 have attended so far.

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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday December 12 1995

IN BRIEF

Stora in C$650m Canada plant plan

Stora, the Swedish pulp and paper group, is to spend C$650m (US$473m) on building a magazine paper plant in Canada in one of the biggest investments by a European company in the North American forestry sector. The plant at Port Hawkesbury in Nova Scotia, to come on stream in 1998, will produce 350,000 tonnes a year of uncoated paper used for magazines and advertising materials. Page 22

Bristol-Myers to renew cost-cutting
Bristol-Myers Squibb, the US pharmaceuticals group, announced a further round of cost-cutting to *bolster its profit margins* in the face of patent expiries due in the coming years. The moves are also intended to provide a stronger platform from which to mount acquisitions. Page 24

Fresh battle in Peru's 'beer wars' begins
When Peru's leading brewery, Backus & Johnston, acquired a controlling interest in its traditional heavyweight rival Compania Nacional de Cerveza in May 1994, it appeared the domestic "beer wars" were at an end. But a new battle has broken out. Page 24

HSBC to reorganise Asia-Pacific insurance
The Hongkong and Shanghai Banking Corporation said it planned to reorganise its insurance activities in the Asia-Pacific region in a move that will see the virtual disappearance of the Carlingford and Lombard names. Page 26

Foster's shows taste for wine business
Foster's Brewing Group, the Melbourne-based beer company, moved to diversify its Australian interests by launching a A$482m (US$355m) takeover bid for Mildara Blass, the largest of the independent winemakers listed in Australia. Page 27

Gencor centenary brings flurry of deals
Gencor, the South African natural resources group, is behaving in a sprightly manner for a corporation that this year celebrates its 100th birthday. Last month, it signed two important deals in three days and there is more to come. Page 27

Utilities sell Grid stakes for £376m
North West Water and Scottish Power, the UK utilities, sold their combined stakes in the National Grid for £376m ($594m) as official trading in the transmission network's shares opened in London. The disposal held back the Grid price which closed at 209½p, valuing the company at £3.54bn. Page 28

Goldman Sachs poised to raise bonuses
Goldman Sachs, the private US investment bank, has set the tone for remuneration in the City of London by nearly doubling performance-related pay, on average, in awards to be announced to staff today. In London, Goldman's 33 partners and a further 20 top staff are expected to receive more than $1m each in addition to their basic salary. Page 28

Tanzania and Zanzibar face cloves clash
A squabble is brewing between the Zanzibar archipelago and the Tanzanian mainland over cloves, the islands' only significant source of hard currency. Page 30

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	849	+	17
Berliner Kft	451	+	6
Porsche	677	+	12.5
VEW	504	+	14
Falls			
DLW	233	–	11
Kali & Salz	188.3	–	11.7
NEW YORK ($)			
Rises			
Amoco	71	+	2¼
Diana Corp	25	+	2⅝
Ryl Dutch	134⅝	+	2¼
Utd Hlthcare	63⅝	+	1½
Falls			
Adobe Systems	70⅛	–	1⅜
Iomega Cp	44⅛	–	3⅝
LONDON (Pence)			
Rises			
Airtours	358	+	22
BTG	920	+	67
Laporte	639	+	29
Shield Diag	168	+	45
Falls			
Alders	188	–	21
Br Mohair	134	–	39
TORONTO (C$)			
Rises			
Rogers Comms	15⅞	+	1¼
Spectrum Sig	18⅝	+	1½
Trimark Fin	42	+	2½

Falls			
Arbor Hlth	23	–	2
Imax Corp	29⅛	–	3⅝
Intr Intnet	12¼	–	1½
PARIS (FFr)			
Rises			
Gaz des Eaux	494	+	10.5
GTM Entrpse	320	+	13.5
Falls			
AGF	159	–	8.6
CGIP	961	–	24
Fonc Lyon	550	–	10
SLIC	585	–	18
TOKYO (Yen)			
Rises			
Ando Const	538	+	27
[illegible]	826	+	45
Showa Sangyo	479	+	26
Toshiba Plant	970	+	71
Falls			
Calsonic	700	–	25
Kyocera	7690	–	360
HONG KONG (HK$)			
Rises			
[illegible]	2.25	+	0.15
Lamex Hldgs	1.8	+	0.13
Peace Hill	1.92	+	0.27
Falls			
Ngai Hing Hing	4.85	–	0.25
Oriental Press	2.675	–	0.52
Sing Tao	3.5	–	0.67

Bangkok closed. New York and Toronto prices at 12.30pm.

SMC head favours sell-off to several buyers

By Andrew Jack in Paris

The newly-appointed head of Société Marseillaise de Crédit (SMC), the regional French banking group, favours a sell-off to more than one investor in the bank's forthcoming privatisation.

In an interview, Mr Pierre Habib-Deloncle, nominated chairman last month, said he favoured creating a "multi-colour shareholder base" to help ensure "plurality".

His comments appear to contrast with the public statements from the French ministry of economics and finance in the past few weeks, which said the privatisation was likely to take the form of a private sale to a single purchaser. The sale is expected next year, and a number of financial institutions are believed to have expressed interest.

SMC has suffered from severe financial difficulties in the past few years, reporting FFr1.25bn ($250m) in losses for 1994 and triggering a recapitalisation of FFr1.06bn from the French state. It recently reported profits of FFr3m for the first half of 1995.

One analyst said yesterday he expected the bank to be valued at less than the total of its book assets, which was reported as FFr26.8bn in its accounts at the end of 1994.

Mr Habib-Deloncle said he hoped to stay on as chairman after privatisation. He wanted the group to focus on regional retail banking.

He said he wanted to ensure SMC retained its own regional identity, while being able to develop tight links with a single large shareholder who would *take a majority stake.*

Mr Habib-Deloncle said he expected to hire his own investment bank to advise SMC on the privatisation process, separately from the appointment of an adviser chosen by the ministry of finance, which is likely to be made in the next few weeks.

He said he was undertaking an audit to examine the financial position of the bank, but saw the need to change its organisational structure, and to wind down its remaining loss-making financial markets and property activities.

He wanted to re-emphasise SMC's activities in the southern Mediterranean region, including the Maghreb in which it is already present.

It is active through GP Banque, an investment banking arm in which the group has majority control.

Mr Habib-Deloncle stressed that although he was active in politics in the ruling RPR Gaullist party, he had experience in the Mediterranean region and as a banker, since he had worked for Banque Indosuez and Banque Chaix.

He denied he had anything to do with the last-minute decision of the government in November to drop its proposed choice as chairman of SMC and appoint him in his place.

Habib-Deloncle: need for change

Usinor warns of profits slowdown

French steel group slips 7% on second-half outlook

By John Ridding in Paris

Usinor Sacilor, the French steel producer privatised this year, saw its shares fall 7 per cent yesterday as it warned that second-half net profits would be less than the FFr2.4bn ($482m) recorded in the first six months of the year.

Industry analysts edged estimates for full-year profits down from about FFr4.8bn to about FFr4.5bn. Shares in the steel company fell FFr5.2 to FFr67.95.

The decline was the latest setback for investors in the company, Europe's largest steel producer. It has been one of many French privatisation issues to suffer a fall in its share price, having been sold to investors at FFr86 a share in the summer.

Mr Francis Mer, chairman, blamed the downturn in the group's performance on the deterioration in the economic environment, notably in France, and the impact of a transport strike which has disrupted supplies and sales. He said the group was running down its stocks in line with other European producers.

Addressing a shareholders meeting, the Usinor chief said that most of the group's activities were experiencing a slowdown in activity and a deterioration in their performance. He added that prices for the group's products would decline below recent levels in coming months, with the exception of sales covered by long-term contracts.

Mr Mer's comments will add to concerns about the slowdown in the French economy and the impact of public sector strikes called to protest against government plans for rail and welfare reforms. Companies dependent on rail transport have been particularly affected by the 18-day transport strike which has paralysed the national rail system.

The fall in Usinor's share price will also compound investors' disappointment concerning French privatisation issues over the past few years, most of which are trading below their offer price. The poor record of privatisation shares has clouded the prospects for the sale of Pechiney, the aluminium group, which has seen its sell-off scaled down because of weak demand.

Yesterday's shareholder meeting was called to approve the merger of Usinor with Ugine, its stainless steel division.

The plan, announced in September, involved the purchase of the 41 per cent of the stainless division not already owned by Usinor at an estimated cost of about FFr3.7bn. It reflects Usinor's strategy of focusing on high value-added activities and consolidating core operations.

Lex, Page 20

HK newspaper price war hits media sector

By Simon Holberton in Hong Kong

A price war has broken out among Hong Kong's tabloid newspapers, causing share prices in the colony's media stocks to plunge.

The price cutting was seen by analysts yesterday as a victory for Mr Jimmy Lai, the Hong Kong entrepreneur who launched Apple Daily, a Chinese language tabloid, in the summer. It is also a victory for competition in an industry whose owners usually agree the price of newspapers among themselves. "This is quite unprecedented," said Mr Andrew Farrant of SBC Warburg, investment bank. "Hong Kong has never had a price war before."

Apple has become Hong Kong's number two selling paper, with sales above 300,000. It is threatening the supremacy of the Chinese language Oriental Daily News, with sales above 400,000.

Shares in Oriental Daily News, which started the price war on Saturday by cutting its cover price from HK$5 to HK$2, ended 16 per cent lower at HK$2.675.

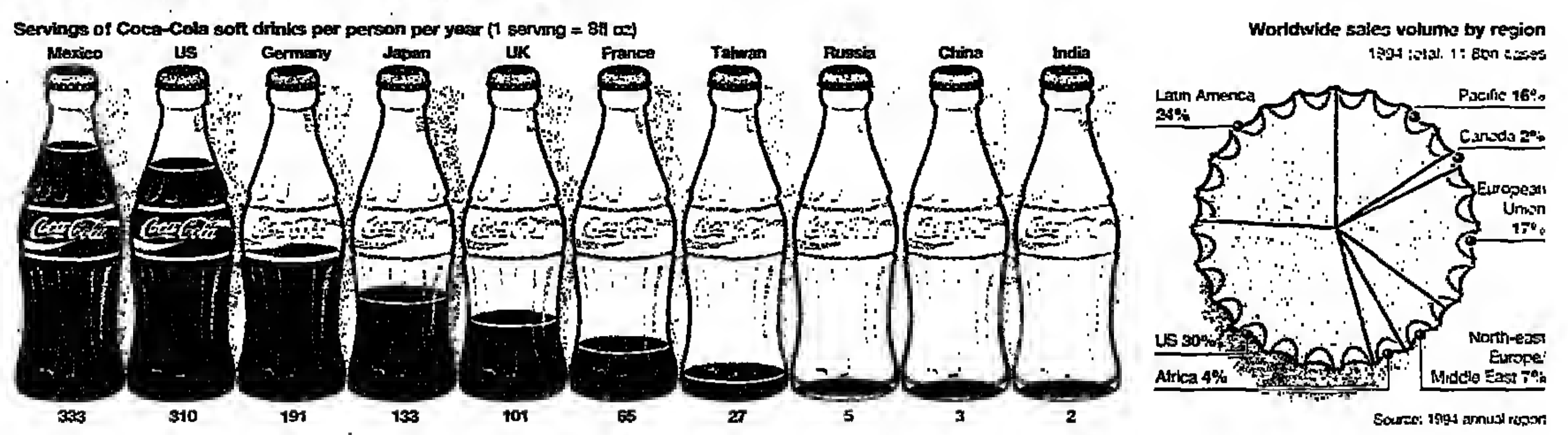
Eighteen months ago, Oriental launched Eastern Express, an English language daily, to compete with South China Morning Post, Hong Kong's most profitable newspaper. It recently cut its cover price to HK$3 from HK$5, after the Post raised its cover price to HK$7 from HK$5.

Apple Daily responded to the price cuts by reducing its cover price by HK$1 to HK$4. It explained the cut as a Christmas present to its readers – suggesting it does not expect the price war to last long.

Shares in Hong Kong Daily News, a less popular Chinese language tabloid which yesterday cut its cover price to HK$1, ended 13.3 per cent lower at HK$0.98. Shares of Sing Tao, which publishes a Chinese language broadsheet of the same name, fell 16 per cent to HK$3.50, while Ming Pao, publisher of Hong Kong's leading Chinese language daily, fell 10 cents to HK$3.70.

Mr Farrant estimated Oriental Daily News's price cut would cost it HK$70m-HK$100m (US$9m-US$13m) in lost revenue for the January to March period. This was a large loss of revenue for a company expected to earn about HK$400m in net profits this year.

Developing a thirst for the real thing



Source: 1994 annual report

Richard Tomkins reports on how the drinks group brings a smile to investors' lips

Coca-Cola keeps its fizz

Is Coca-Cola too expensive? It depends on your point of view. Arguably, $1 a can – the typical price on a New York hot dog stand – is not a lot to pay for the world's best-selling soft drink. But what about $80 for one of the company's shares?

Stock prices have been rising across the board in the US, but Coca-Cola shares have risen more than most. In the past three months, it has shot up about 25 per cent.

Coca-Cola is looking more like a hot technology stock than a 103-year-old soft drink company. At $80, the price at midday yesterday, its shares are trading on a multiple of 34 times forecast earnings for the current year – more than double the average of 16 times earnings for the Standard & Poor's 500.

One reason for the premium is renewed enthusiasm for Coca-Cola's above-average returns. Since the company was floated in 1919, its shares have seldom disappointed investors. Total returns, comprising stock price appreciation and dividends, averaged 28 per cent a year in the five years to the end of last year. *With dividends reinvested*, a single Coca-Cola share bought for $40 in 1919 would be worth $3.8m today.

Over the years, critics have often predicted that something would happen to slow Coca-Cola's growth – competition, market saturation or changing tastes. Each time they have been proved wrong. Even in the US, where the competitive pressures are strongest, Coca-Cola has continued to increase sales through clever marketing and new products.

Recent surges in Coca-Cola's share price, however, have been driven more by excitement over the company's prospects for international growth than by events at home. Coca-Cola already derives about 80 per cent of its operating profits from sales outside the US, and the proportion is growing as its geographical expansion continues.

With the vast new markets of China, India and eastern Europe opening up, the number of consumers within Coca-Cola's reach has rocketed from 2.2bn to 5.2bn in the past few years. Most of these consumers have barely begun to taste the pleasures of Coke, and investors are licking their lips at the thought of what will happen to Coca-Cola's profits when they do.

Other factors have affected the share price too. Mr Roy Burry, an analyst at Oppenheimer, the Wall Street securities house, says Coca-Cola's stock usually outperforms the wider market. For much of this year it was level-pegging with the S&P 500 because investors thought it would be hard-pressed to improve on the big increases in international volumes it achieved in last year's third and fourth quarters.

In the event, Coca-Cola surprised the stock market with a 7 per cent increase in international volumes in its third quarter, and Mr Robert Goizueta, chairman and chief executive, predicted that the company would once again meet its long-term goal of 8-10 per cent growth in international volumes for the full year.

Yet the resulting buying spree has pushed Coca-Cola's share price well beyond the level needed to make up the ground lost earlier in the year: and Mr Burry is one of several analysts suggesting that its rise has gone far enough for now.

Mr Burry says Coca-Cola's shares normally trade at a premium of 50-80 per cent to the wider market, well below the present premium of 113 per cent. "Coke stock never goes down relative to the market – it's too high a quality and too low a risk. But it has reached a relative multiple at the high end of its range."

Mr Michael Branca at NatWest Securities agrees: "We believe Coca-Cola is extraordinarily well positioned to sustain very high quality, long-term, 18 per cent earnings growth. But we think those prospects are well discounted in the current stock price."

Even so, neither Mr Burry nor Mr Branca suggest that investors should sell the stock: and while the bull market in US equities lasts, Coca-Cola seems likely to hold on to its fans. As the company itself points out, with the world's strongest brand and the world's most pervasive distribution machine, it is probably better suited than almost any other business to benefit from the global market.

"At any point in time you are going to find people expressing concerns," Coca-Cola says. "But our view is that our stock price reflects what the future opportunities are."

Alberta bids C$915m for Conwest

By Bernard Simon in Toronto

Calgary-based Alberta Energy has unveiled a C$915m (US$668m) friendly bid for Conwest Exploration to create one of Canada's biggest oil and natural gas producers.

Conwest shareholders have been offered either C$28 a share in cash or 1¼ Alberta Energy shares for each Conwest share. The cash component is limited to C$361m, or about 40 per cent of the total. Conwest shareholders would end up with a 25 per cent stake in Alberta Energy, which was fully privatised by the provincial government in 1993.

The offer closes on January 10. Conwest's shares lost 25 cents to C$27¾ in early trading on the Toronto Stock Exchange yesterday. However, the shares rose strongly last Friday ahead of the announcement. Alberta Energy's shares fell C$1⅛ to C$21¾ in early trading.

Although the two presented the deal as virtually done, some analysts said a rival bid might emerge. "The fact that there's no major shareholder in Conwest does provide the opportunity for another bidder," said Mr Peter Linder, analyst at Research Capital in Calgary.

Conwest's attractiveness has also been enhanced by a recent jump in North American natural gas prices, caused by an unexpectedly early and severe winter. The bulk of Conwest's revenues, which totalled C$158.7m in 1994, comes from natural gas.

Together, the two companies would produce the equivalent of about 55,800 barrels a day of oil and natural gas. They also expect to benefit by combining many of their exploration activities in western Canada.

The bid is the latest in a series of mergers and takeovers in the Canadian energy industry. The shake-out follows a period of restructuring, which has included the sale of numerous properties by big, integrated producers.

This year's deals include Anderson Exploration's C$830m purchase of Home Oil, and the C$296m sale of Gulf Canada Resources to Torch Energy Advisors of the US.

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Moulinex halves losses at mid-term

Moulinex, the French household appliances group, yesterday reported that its losses had halved to FFr121m ($24.3m) for the six months to September 30. Turnover fell 3 per cent to FFr3.3bn, compared with the first half last year, even after sales generated by new products. The group stressed that only 40 per cent of turnover was generated during the first six months of the year.

Operating losses rose by a third from FFr62m to FFr99m, which Moulinex said reflected the negative net impact of exchange rates, the effect of strikes in its Normandy factories last June, higher raw material costs, increased advertising spending, and the cost of launching new products.

The losses were reduced as a result of a sharp fall in interest expenses from FFr119m to FFr69m, reflecting a reduction in group debt. There were also exceptional gains of FFr52m from capital gains on divestment of assets, compared with exceptional charges last time of FFr77m generated by restructuring provisions.

The group said turnover trends for October and November were encouraging, raw material costs were stabilising, and new products accounted for nearly 30 per cent of sales in the current year. But it cautioned on the uncertainty of consumption in Europe and of exchange rates.

Andrew Jack, Paris

Mobilfunk sales up 55%

Mannesmann Mobilfunk, Germany's leading private mobile phone operator, yesterday reported a 55 per cent rise in sales this year to DM2.7bn ($1.86bn) and said it expected to have almost 2m clients next year.

The company is signing up about 60,000 new clients a month, an increase on monthly growth rates of about 50,000 earlier this year. Some 20 per cent of the company's clients were private users.

Mannesmann's D2 mobile phone network has about 1.4m clients, putting it level with DeTeMobil, Deutsche Telekom's mobile phone subsidiary which is its main competitor. E-Plus, a third German network launched last year, hopes to have picked up some 200,000 clients by the end of the year.

MMO said it had invested DM600m in its own telecoms network this year, bringing the total invested since 1989 to DM3bn. Mobile phone operators were given permission to build their own networks earlier this year, enabling them to become leading competitors to Deutsche Telekom, once all telecoms services are fully liberalised early in 1998.

The Düsseldorf-based company said it would increase its 3,000 strong workforce by about 20 per cent next year to service the growing demand for mobile telecoms in Germany.

Michael Lindemann, Bonn

AVC Intressenter sells VOAC

AVC Intressenter is selling VOAC Hydraulics to Parker Hannifin, a US industrial group. AVC Intressenter is a holding company held 50 per cent by Volvo Aero, a unit of Sweden's automotive group Volvo and 50 per cent by Atlas Copco, the Swedish engineering company.

VOAC's 1995 sales are expected to be SKr1.2bn ($180m). The price was not disclosed.

VOAC Hydraulics develops, manufactures and sells hydraulic components and systems for vehicles in construction, forestry and other industries. About 70 per cent of its sales are outside Sweden, mainly in Europe and North America.

It has three manufacturing facilities in Sweden, sales companies in 10 countries, and employs 980 people.

AP-DJ, Stockholm

Arbed sees profits advance for 1995 year

Arbed, the Luxembourg steel maker, expected its 1995 net profit to be higher than the LFr414m ($13.9m) recorded in 1994 while the group's sales were seen rising 30 per cent from 1994's LFr205.7bn, said Mr Joseph Kinsch, chairman, agencies report from Brussels.

In an interview with the company's in-house newspaper, Mr Kinsch confirmed forecasts, made in September, of lower sales volumes in the second half.

"Despite lower volumes, the second half of this year confirms the rise in our 1995 results from 1994," he said, adding that the group was also keeping to its budgetary forecasts.

Flat product output was growing strongly because of integration in the Stahlwerke Bremen group but the long products sector was proving "more hesitant", he added.

The negative trend in production volume of long products is partly due to a technical incident at a blast furnace at the start of the year, Mr Kinsch said.

He added that adapting the company's steel operations to the mini-mill type would be the principal task in 1996, along with improving the balance sheet structure and completing the integration of Stahlwerke in the Arbed group.

Mr Kinsch said the acquisition of a majority stake in German steel maker Stahlwerke Bremen had been reflected in better production and financial results in 1995.

Since the integration of Stahlwerke Bremen, formerly Kloeckner Stahl, into Arbed's operations, production of flat products has increased 86 per cent, the newsletter said.

Other sectors that have seen strong production rises include stainless steel, copper sheets and engineering.

Mr Kinsch noted that the only shadow at present was that hanging over its long products operation.

The company swung back to profit in 1994 for the first time since 1991 and in July this year boosted its stake in Stahlwerke to 67 per cent.

Stora to build C$650m plant in Canada

By Hugh Carnegy in Stockholm

Stora, the Swedish pulp and paper group, is spending C$650m (US$473m) on building a magazine paper plant in Canada in one of the biggest investments by a European company in the North American forestry sector.

The plant at Port Hawkesbury in Nova Scotia, to come on stream in 1998, will produce 350,000 tonnes a year of uncoated "SC" paper used for magazines and advertising materials, a significant addition for a grade for which annual consumption in the US totals only about 2m tonnes.

"It is a huge investment," said Mr Lars-Ake Helgesson, Stora's chief executive. "But we believe there is a window of opportunity right now in the SC market in the US and Canada."

The move by Stora, Europe's third-largest pulp and paper group, is a rare foray into North America by European producers which have so far concentrated on the European market. However, it confirms an emerging inter-continental trend in the industry.

Mr Helgesson said Stora was attracted by the recent strong growth in North America for uncoated magazine paper, which averaged 8 per cent a year between 1991 and 1994, in spite of a heavy downturn in the industry as a whole. Although demand has been much smaller than for glossy, coated "LWC" magazine grades, SC is up to 20 per cent cheaper.

"We have seen strong market growth, we have seen high quality SC eating into the market for LWC paper and the high quality SC we intend to produce has not really been produced in the US to date," Mr Helgesson said.

Worries that such big investments in new capacity may undermine prices have helped fuel fears of a new downturn in the industry, leading to a recent slump in forestry sector share prices, in spite of record profitability this year.

Yesterday's announcement, made shortly before the Stockholm stock exchange closed, prompted a slight fall in Stora A shares, which ended the day unchanged from Friday at SKr79.50.

"If the new plant comes on stream during a downturn, it's sad," said Mr Helgesson. "But that will not change our fundamental outlook. We have to look at this in a long-term perspective."

The new plant, which will greatly expand Stora's existing pulp and newsprint-making facilities at Port Hawkesbury, is the second big investment in new capacity announced this year by the company. It is building a SKr3.1bn ($466m) liquid packaging board plant in Sweden.

The ups and downs of buying Belgacom

Finding a partner for the telecoms operator has not been plain sailing, says **Emma Tucker**

The final bids for a 49.9 per cent stake in Belgacom, the Belgian state telecoms operator, have landed on the desk of the flamboyant Elio Di Rupo, Belgium's communications minister, in what was described by one merchant banker as "a huge and unique transaction".

Huge, because Belgacom had been valued at BFr160bn ($5.37bn) by Petercam, the Belgian consultancy, in 1991 – even if some analysts believe this estimate might now be too high.

Unique, because Belgium is the first west European government likely to complete the tricky process of choosing a strategic partner for its state telecoms monopoly.

Mr Di Rupo, government officials, Morgan Stanley and Banque Degroof – the merchant banks overseeing Belgium's prize privatisation – now have two weeks to select a winner if the government is to deliver its verdict before Christmas.

Two consortia remain shortlisted. Swiss Telekom with KPN, the partially privatised Dutch post and telecoms operator, and Ameritech, a US operator which recently announced it had joined forces with Singapore Telecom and Tele Danmark to strengthen its bid.

The carrot for the final bidders is a company at the centre of the European market, and home to a majority of the European Union's institutions. Brussels – the Belgian and European capital – is a prime location for the European headquarters of international companies and a springboard for possible expansion into the contiguous markets of western Germany and northern France.

"Belgium's position in relation to France and Germany is very important," said an industry source close to the KPN bid. "It would give the consortium a strategic toe-hold."

On the down side, they have to contend with restrictive Belgian labour market laws - which make redundancies near impossible - plus an unfunded pension liability of roughly BFr110bn which will stay with the company.

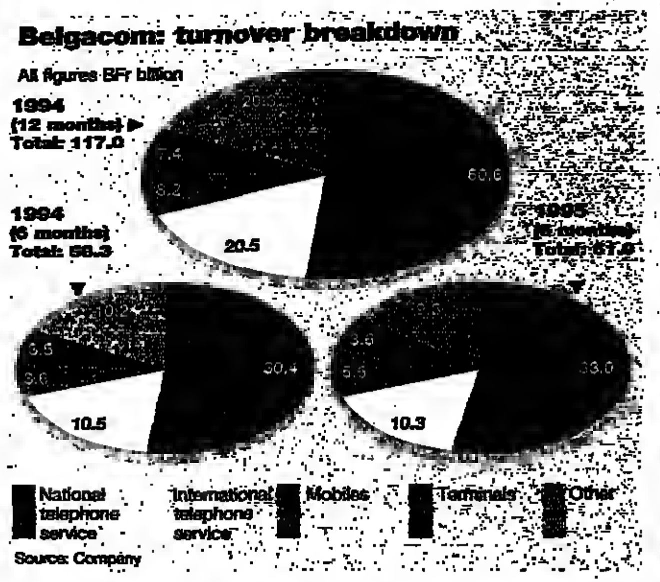
In seeking a strategic partner for Belgacom, the Belgian government has acted as a pioneer. The only previous attempt by an EU government – Greece – to sell part of its state operator to private investors ended in disaster.

"It was an example of how not to handle a privatisation. There was a lot of political interference, there was a change of government, it was really pathetic," says a merchant banker.

Greece's experience has not deterred the cash-strapped Belgian government which desperately needs to lower its budget deficit to qualify for monetary union in 1999.

But the deal will not only strengthen Belgian government coffers. The partner is also expected to haul Belgacom into shape ahead of full EU telecoms liberalisation in 1998. Belgacom, assisted by Arthur D Little, is examining the technological and strategic nature of the bids, while a government commission is dealing with the financial side.

Belgacom: turnover breakdown



Source: Company

Nevertheless the Belgacom privatisation has had its ups and downs – the most notable down being when a British Telecommunications-Bell Atlantic consortium withdrew from a shortlist of three.

BT's stated reason for pulling out was concern that the special status granted to Belgacom employees – similar to that of civil servants – would lead to ugly scenes between management and unions when it came to cutting the workforce. Strong trades unions represent more than 80 per cent of Belgacom's 26,500 employees.

However, a more likely reason was differences between BT and Bell Atlantic over the best way of providing Belgium's many multinational companies with access to international networks.

Their withdrawal left just the two remaining bids on the table. Apart from Belgium's good geographic situation the deal offers other temptations.

For example, the scope for improved efficiency at Belgacom which, thanks to new local management, is only slowly shaking off its reputation for abysmal customer service.

"There is a big margin," says Mr Erik Theyssens, telecoms analyst at Banque Bruxelles Lambert. He cites Belgacom's fleet of 7,500 vehicles whose maintenance costs run at BFr4 per km, against BFr1 per km for a big Belgian leasing company. Another target would be the company's 1,200 buildings.

On the labour market front the centre-left government, coping with unemployment levels of over 12 per cent, says it believes any problems can be resolved through careful negotiations by all parties. However, some doubts remain.

"Some people just didn't have the stomach to deal with the political issues," says a source close to KPN, who has some sympathy for the BT decision. "The situation is very different in Belgium from Thatcher's Britain when BT had to make its large-scale redundancies."

As for the bids themselves, relative merits are strong on both sides. KPN-Swiss Telekom would bring obvious geographical synergies to Belgacom, but also has an international dimension through its links with Unisource, the pan European consortium spanning Spain, the Netherlands, Sweden and Switzerland.

The Ameritech consortium brings international experience – through participations in New Zealand, Hungary and Poland – and it has all the experience of liberalisation on the other side of the Atlantic.

AMERICAS NEWS DIGEST

Banco de Santiago faces bid for shares

Trading in the shares of the Banco de Santiago, Chile's second-biggest private bank, was suspended on the Santiago stock market yesterday for one day, by the Chilean securities board, after information that a bid would be announced today for a large package of shares.

The bid was widely expected to be from either the Luksic group, or their partners, Banco Centrohispano (BCH), of Spain, or from the two together, possibly via their newly-formed joint venture, the O'Higgins Centro Hispano holding company. The Luksic group is the biggest single shareholder in Banco de Santiago, with 24.45 per cent, and is controlling shareholder with BCH in Banco O'Higgins, Chile's third-biggest bank.

The two have made public their interest in merging the two banks, provided they can negotiate an agreement with the minority shareholders. Ownership of the Banco de Santiago is highly dispersed – the second-largest shareholder owns only 2 per cent. Ms Ida Longeri, an analyst with Larrain Vial, a leading Chilean brokerage, said the Luksic-BCH group had a strong interest in expanding its stake and cutting the number of shareholders it had to deal with. *Imogen Mark, Santiago*

RJR and raiders in war of words

Mr Bennett LeBow and Mr Carl Icahn, the US corporate raiders trying force a break-up of RJR Nabisco, the food and tobacco group, yesterday stepped up their proxy battle by claiming the company had "an arid and bleak future" under its newly-appointed chief executive, Mr Steven Goldstone. RJR Nabisco described the suggestion as "simply bizarre".

In a letter to RJR Nabisco's shareholders, Mr Bennett LeBow's Brooke Group said Mr Goldstone had used the occasion of his appointment last week to express "his strideot opposition to a spin-off" of the tobacco business, telling stockholders it was not possible before 1998. Brooke Group said that if Mr Goldstone's priority was to lift the stock price, he should be in favour of an immediate spin-off and an increase in the company's dividend.

RJR Nabisco said Mr Goldstone had never expressed strident opposition to a spin-off of Nabisco: in fact he had reiterated the board's support for such a transaction when it was "in the best interests of shareholders. Simply put, Mr LeBow wants control of the company in order to unload his poorly-performing tobacco company on RJR Nabisco's shareholders on terms that will only benefit him and his associate Carl Icahn," RJR Nabisco said.

See International People *Richard Tomkins, New York*

Total's US unit cuts capacity

Total Petroleum North America is to rednce its refinery capacity and is to sell its Ark City, Kansas refinery or to transform it into a storage unit in 1996, said Total, the French oil group. Total Petroleum North America will take an after-tax charge of $53m to cover the restructuring, which will appear under extraordinary items in the unit's annual accounts. The restructuring would reduce Total SA's 1995 net result by $29m, the company said. *AFX, Paris*

Philip Morris revamps food arm

Philip Morris, the US tobacco group, has restructured its international food business. Mr Louis Camilleri has been named president and chief executive officer of Kraft Foods International. The restructured Kraft Foods International will include four separate regional units – Kraft Jacobs Suchard Western Europe; Kraft Jacobs Suchard Northern Europe; Kraft Jacobs Suchard Central and Eastern Europe, Middle East and Africa, and Kraft Foods Asia/Pacific. *AFX, London*

Bristol-Myers plans $2.5bn cuts in next three years

By Richard Waters in New York

Bristol-Myers Squibb, the US pharmacenticals group, yesterday announced a further round of cost-cuts to bolster profit margins in the face of patent expiries due in the coming years. The moves are also aimed at providing a stronger platform for acquisitions.

The company's biggest-selling drug, Capoten, loses its US patent in February, exposing it to generic competition. Meanwhile, despite the rapid growth of Taxol, a cancer drug, the company does not have as strong a pipeline of potential blockbuster drugs as some others in the industry. Taxol will also lose its patent at the end of 1997.

Yesterday, Bristol-Myers predicted that Capoten's sales would fall to about $1.2bn next year, from about $1.5bn expected by analysts this year. The company predicted Taxol's sales would rise to $750m in 1996, compared with $410m in the first nine months of this year. The group predicted pharmaceutical sales of $7.8bn for 1996.

While a number of US drugs companies moved to trim costs two years ago in the face of slowing sales growth and uncertainty over the direction of President Clinton's healthcare reform plans, Bristol-Myers has cut more than most.

In 1993, the company reduced its selling, general and administrative expenses – one of the main targets of cost-cutting – by about 13 per cent, though the figure crept up again the next year.

The next round of reductions will aim to trim $500m from expenditure next year, with annual savings rising to $900m-$1.1bn in 1997 and $1.1-1.5bn in 1998. It will result in a restructuring charge of $250-$300m for the final quarter of 1995.

Bristol-Myers said the savings were intended, among other things, to release more resources for internal growth and to lessen the earnings dilution from future acquisitions.

Quality opposition restarts Peruvian beer war

A growing economy and Cervesur's dynamism make prospects bright, writes **Sally Bowen**

Latin American brewing

When Peru's lesding brewery, Backus & Johnston, acquired a controlling interest in its traditional heavy-weight rival Compania Nacional de Cerveza (CNC) in May 1994, it appeared the domestic "beer wars" – which had kept advertising account executives happy for years – were at an end.

But a new battle has broken out. Aggressive advertising in the past few months has propelled Cervesur's "Cusqueña" brand beer, brewed in the ancient Inca capital of Arequipa and traditionally drunk throughout the Andean highlands, into the Lima market.

By November, Cusqueña had captured almost 18 per cent of consumption in the capital (from 13 per cent at the start of the year) while Backus had hit back, invading Cervesur's southern stronghold.

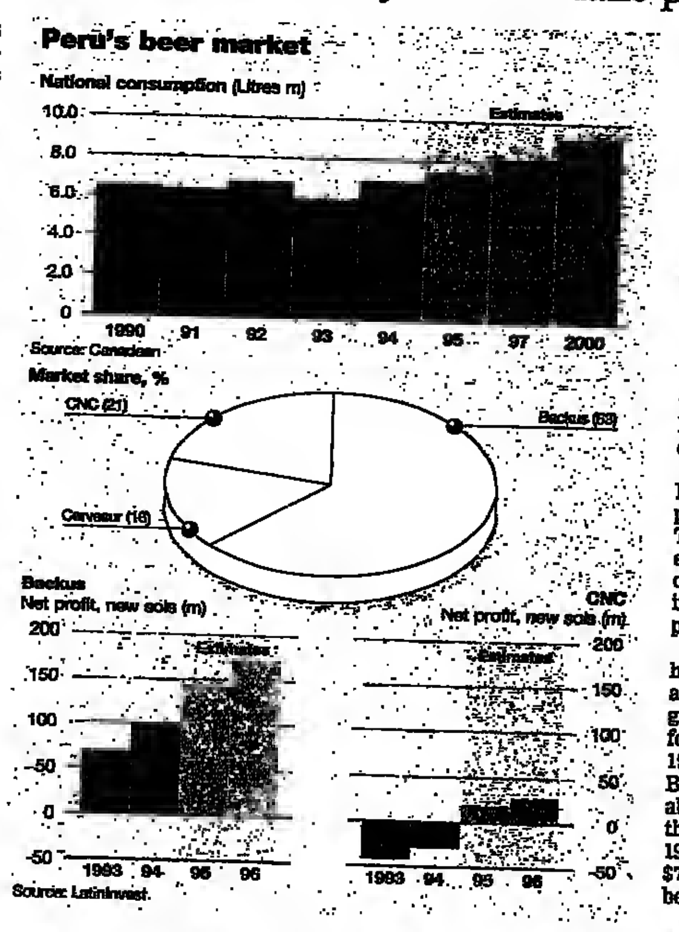
Peruvian breweries are, barring a small number of foreign investors through the Lima stock exchange, Peruvian owned. Imported beers are a rarity. The Backus Corporation dominates the market with Cervesur offering the only genuine competition. Combined beer sales this year should top $400m, with Backus accounting for 63 per cent of total revenue, CNC for 21 and Cervesur for 16 per cent.

As in many Latin American countries, Peru's executives and the upwardly mobile prefer their alcohol in the form of whisky. But for the lower income groups, no gathering turns into a fiesta unless the beer flows freely.

The outlook for breweries is brighter than for years. The economy is booming and disposable income is on the up. Although Peru's 12.9 per cent GDP growth last year has moderated to a projected 7 per cent for 1995, economic expansion is now expected to level ont at about 6 per cent until the end of the century.

Beer consumption, however, is low by continental standards: Peru's annual 32 litres per capita (down from a historic peak of 43 litres a head in the brief 1986-87 consumer boom) is well below Mexico's 50 and Brazil's 40. Compared with Venezuelans and Colombians, who down 80 and 60 litres respectively per person per year, Peruvians have a lot of catching up to do.

"We consider the prospects for growth very good," says Mr Carlos Bentin, chief executive of Backus & Johnston. He says his company has invested $250m over the past five years in expansion.



The $135m Backus paid for a 64 per cent controlling stake in CNC last year looked inflated, even for a long-established company with a reapected brand. But injudicious spending on advertising combined with technical problems at the elderly plant had pushed CNC to the verge of collapse.

The Backus move, however, pre-empted other anticipated bids from Argentine and Colombian breweries looking for a toe-hold in Peru. It also gave Backus about 87 per cent of the domestic beer market.

Eighteen months later, Mr Bentin says his board is well pleased with tha buy-out. There is plenty of room for expansion: Backus is currently operating about 67 per cent of installed capacity, CNC at 60 per cent.

Beer sales are estimated to have risen 12 per cent this year and analysts predict average growth of close to 7 per cent for the 1996-2000 period. On 1995 sales of about $250m, Backus should post profits of about $57m, 24 per cent higher than last year. CNC hopes for 1995 sales close to $90m (from $74m last year) and profits between $12m and $15m.

Meanwhile, Cervesur expects 1995 sales to top $65m, giving profits of about $14m, after last year's $8m. Next year, the company is expecting further sales growth of 15 per cent-plus.

Earlier this year, Cervesur inangurated, with all due pomp, a major expansion af its Arequipa brewery. It boasts state-of-the-art technology and a superior and well-differentiated product which, unusually in the Americas, is produced with barley alone and no added grains.

Cervesur "has survived nearly a century – and there hava been some pretty bad times", says Mr Andres von Wedemeyer, Cervesur's chief executive. "For years, price controls prevented market segmentation. But now we have the chance to go for the premium sector and we're really competing."

There is nothing stuffy or traditional abont Mr von Wedemeyer or his business strategy. "Leveraging is almost obligatory today," he says.

Cervesur had planned an ADR for January: the Mexican peso collapse and the blow it delivered to international investor confidence put a swift end to that plan. But Cervesur responded by coming up with by far the largest – and most successful – local currency corporate bond issue in Peru.

Backus, meanwhile, has put earlier ADR plans on hold. In what executives call a period of consolidation, the strategy is to maintain their Cristal brand, market leader by a wide margin, at the top of the tree with Pilsen Callao, CNC's best-seller, as the number two. For its part, Cusqueña would be happy – for now – with 20 per cent of national consumption.

A lid has been kept on expansion of beer consumption by a punitive – although supposedly extraordinary – sales tax. According to Mr von Wedemeyer, accumulated taxes add almost 142 per cent to the end price of Peruvian beer. And, says Mr Bentin, "that's the highest tax paid anywhere in the world".

This is the fifth in a series. Previous articles appeared on November 24, November 29, December 6 and December 8

JP Morgan in Travelers insurance investment

By Richard Waters

J.P.Morgan is to invest $200m in the new property/casualty insurance company being created by Travelers. It is one of the biggest private equity investments yet made by the US bank.

J.P.Morgan's planned stake is also tha latest indication that a range of investors from outside the insurance industry are looking to invest in it. Private equity funds, including one run jointly by J.P.Morgan and Marsh & McLennan, have earmarkad substantial amounts of capital to buy troubled insurance companies.

The investment announced yesterday, which will give the bank a stake of 3 per cent, is being made by Morgan directly, rather than through the fund. The stake matches a previously-announced investment in the new company by Aetna, the US insurer.

The company will be created from the property-casualty businesses of Travelers and Aetna, which has agreed to sell its operations to Travelers for $4bn.

Travelers said it expected Morgan's investment to be the last large private stake to be taken in the new company. The remaining $900m of equity the bank has said it plans to raise to help finance the purchase from Aetna is likely to come through a public listing for the new company's shares, in the spring.

Morgan's income from sales of investment jnmped from $306m in 1993 to $663m in 1994, when other earnings came under pressure.

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New Issue December 1995

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INTERNATIONAL COMPANIES AND FINANCE

HSBC shakes up insurance side

By Simon Holberton in Hong Kong

The Hongkong and Shanghai Banking Corp said yesterday it planned to reorganise its insurance activities in the Asia-Pacific region in a move that will see the virtual disappearance of the Carlingford and Lombard names.

The bank said the reorganisation would simplify the management of its insurance business and facilitate continued expansion. In keeping with the bank's policy of branding its subsidiaries with "HSBC", all but one of the insurance company's operating companies will drop their old names.

As part of the shake-up, a new subsidiary, HSBC Insurance (Asia-Pacific) Holdings, has been created. This sits above HSBC Non-Life Holdings, previously known as Carlingford Lombard Holdings, which will own the group's five operating companies in non-life insurance.

Mr Simon Brett, who was chief executive of Carlingford Lombard, has been appointed chief executive of HSBC Insurance (Asia-Pacific) Holdings. He will report to Mr David Eldon, chief executive-designate of Hongkong Bank.

Mr Brett said insurance was becoming an increasingly important business for the HSBC group. The reorganisation would ensure that the business rested on a firm base, with effective control, investment and credit-risk mechanisms, he said.

"Within the Asia-Pacific region, our identity and management will enable us to grow by drawing on Hongkong Bank's strengths and distribution network," he said.

"We intend to expand insurance sales both within Hong Kong, where we are an important force in the industry, and in south-east Asia, where the bank continues to expand, particularly in the retail sector."

Mr Kenneth Kwok succeeds Mr Brett as chief executive of HSBC Non-Life Holdings.

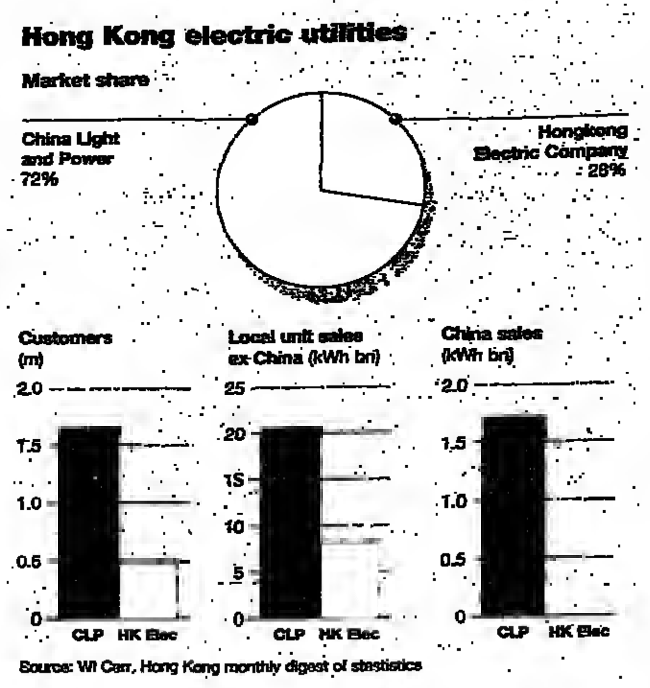
Colony's utilities under pressure

Energy groups need to raise their long-term appeal to investors

Hong Kong's energy utilities have undoubtedly known better times. Their list of woes include a slowing domestic economy and the migration of large power-consuming manufacturers to cheaper pastures across the border in China.

In addition, on the home front, consumer bodies are starting to call for greater regulation, particularly in the form of curbs on gas tariff hikes while China is not proving to be such a congenial home for investment because of an absence of government guarantees on a range of issues, including foreign exchange availability.

Investors, responding to warnings from China Light and Power (CLP), the colony's biggest electricity supplier, that core business growth was slowing and capital expenditure of HK$1.8bn (US$232m) being delayed, have been selling down CLP and the other utilities.



Source: WI Carr, Hong Kong monthly digest of statistics

Under a government agreement CLP's permitted return is pegged to its average net fixed assets, so earnings reported by CLP (as is also the case with Hongkong Electric) are heavily dependent on capital expenditure.

Delaying expenditure delays earnings, so analysts have also been busy, cutting CLP 1996 earnings forecasts.

Although it was CLP which started ringing alarm bells, the problems are not peculiar to it. Hongkong Electric, which supplies electricity to the island and will next year book its final (in the near term at least) profits from property interests, also faces slowing consumption, although there will be some growth from the new developments on the reclaimed areas of Central and Wan Chai.

Growth at Hongkong and China Gas, which produces, distributes and markets gas appliances in the colony, is dependent on the number of new apartments being built, but the group also faces a cap on profitability. This summer the Consumer Council called for regulations to be imposed on Hongkong and China Gas, and analysts believe an "inflation minus x" formula curbing tariff hikes is on the cards.

In response to the restrictions in the home market, the utilities are looking to projects elsewhere in Asia. CLP, for example, is planning to participate in a 1,000MW project in India. The utilities' substantial land banks also offer potential revenue opportunities. CLP, which realised a capital profit of HK$1.3bn from a property sale in the financial year to September 30, has around 8,500 sub-stations, many of which are old and ripe for redevelopment.

China is the most obvious market to explore. Already it accounts for 40 per cent of CLP output; it is also home to CLP's biggest potential investment, a 3,300MW joint venture project in Shandong province. The total estimated cost is around HK$2.5bn, and success could guarantee other China projects down the line.

But this project, like others, remains hostage to government guarantees or ways of minimising credit and currency risks to the satisfaction of bankers.

Hongkong and China Gas has three joint ventures in the relatively better-off Pearl River Delta area. These projects, to build gas plants and a gas distribution network, tie in with property developments under way by Henderson Land, Hongkong and China Gas's largest shareholder, and will target Guangdong's upper echelons – those no longer willing to haul great cylinders of gas up and down stairs.

Hongkong and China Gas, which is now the only utility not subject to a scheme of control in Hong Kong, is likely to find the mainland government – which is keen to control the amount of profit foreign companies are able to earn – less accommodating. Analysts reckon the two biggest projects are unlikely to break even this century. In the interim, property earnings are forecast to take up the slack from slowing growth in the core area of business in Hong Kong.

Hongkong Electric has taken an altogether softer approach to China: it is involved in a purely consultancy role, partly because of Mr Li Ka-shing's reluctance to see Hongkong Electric heavily geared. But Ms Alice Hui, analyst at W. I. Carr in Hong Kong, says it may be going many steps further.

She predicts a merger between CLP, which is the monopoly supplier of electricity to the populous Kowloon and the New Territories, and Hongkong Electric, which supplies Hong Kong island, after the handover of sovereignty in July 1997. This would be followed by a joint purchase of nuclear power from China.

Her theory, rejected by both companies, would yield both economic advantages, including economies of scale on power production, fuel savings and increased supply security and lower growth in future tariffs resulting from big cost savings on land costs, and political dividends for the future masters.

Other analysts are not convinced of this scenario, but Ms Hui argues it is technically feasible, given existing interconnection between the two systems, and the growing links between the two giants: Michael Kadoorie, senior vice-chairman and leading shareholder of CLP, is now a non-executive director of Hutchison, the conglomerate controlled by Mr Li Ka-shing which has an effective 34.6 per cent interest in Hongkong Electric. CLP has already partnered Cheung Kong, Mr Li's flagship, in property ventures.

"We are talking about an irresistible development in the coming years," she says. "We believe that the recent confirmation by Sir Sidney Gordon, CLP chairman, that CLP might participate in phase two of the Daya Bay nuclear power station in Guangdong both as an equity partner and as a buyer of electricity, underlines the likelihood because it makes sense to merge the two and lower the rate of growth in tariffs."

While Ms Hui's masterplan theory may be a little too radical for many in Hong Kong to swallow, most analysts agree the utilities will have to stretch their horizons if they are to have any longer term appeal to investors.

Louise Lucas

IFC announces $290m loan package for Thai finance group

By Peter Montagnon, Asia Editor

The International Finance Corporation (IFC), part of the World Bank group which lends to the private sector, has announced a $290m loan package for National Finance and Securities Corporation of Thailand, its largest-ever financing for a financial institution.

The loan includes a $250m, three-year revolving syndicated loan bearing a margin of 0.725 per cent and a commitment fee of 0.25 per cent that was increased from an original $150m because of heavy over-subscription, participating bankers said.

Other elements comprise a $30m six-year term loan and a $10m convertible debenture issue subscribed by the IFC.

National Finance is an investment company that will lend the funds on to small and medium-sized companies which are playing an increasingly important role as suppliers to exporters in the motor, electronics and machinery sectors.

It was founded by the Siam Commercial Bank which still owns 11 per cent of its capital. Like other Thai finance companies it has met resistance to longer-term financing in the international loan market.

The syndicated loan is a bullet transaction, which means there is no amortisation period. Besides the IFC, it was led by BA Asia, Société Générale Asia and Bank of Nova Scotia Asia which is acting as agent.

Lead managers subscribing $10m or more will receive a participation fee of 0.35 per cent. Fees for lesser subscriptions range down to 0.175 per cent for managers contributing $3m.

BHP shuts down facility after mishap

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian resources group, said yesterday that it had shut down its Jabiru Venture floating production vessel in the Timor Sea after an incident on Sunday during which about eight barrels of oil were spilt.

The incident happened in the morning, "when a submerged buoy supporting subsea flow-lines broke its moorings and unexpectedly rose to the surface. The light crude which leaked was monitored until it broke up in the swell caused by local cyclones," BHP said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.12.95: Pool purchase price £/MWh	Final Prices for Trading on 14.11.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	31.99	9.02	9.02
0100	31.99	9.87	11.67
0130	31.99	9.87	11.67
0200	31.99	9.87	11.67
0230	31.99	9.02	9.02
0300	31.99	8.97	8.67
0330	31.99	8.96	8.96
0400	31.99	8.95	8.95
0430	31.99	8.95	8.95
0500	31.99	8.93	8.93
0530	31.31	8.96	8.96
0600	31.31	8.85	8.96
0630	31.32	9.07	9.07
0700	32.10	19.18	20.88
0730	38.75	20.11	21.91
0800	51.25	20.17	21.97
0830	70.32	20.12	21.93
0900	72.45	33.10	34.91
0930	69.78	38.69	40.51
1000	67.62	42.05	43.87
1030	63.76	42.05	43.87
1100	49.10	34.58	36.40
1130	49.25	34.59	36.41
1200	61.96	34.59	36.42
1230	61.48	34.58	36.41
1300	58.74	34.99	36.40
1330	43.54	34.99	36.38
1400	37.60	34.56	36.37
1430	36.87	34.55	36.36
1500	37.29	34.59	36.36
1530	50.27	34.58	36.40
1600	150.03	35.55	37.88
1630	465.73	71.99	83.01
1700	824.28	145.18	167.63
1730	902.18	180.43	202.27
1800	872.72	156.27	174.83
1830	339.48	84.15	93.18
1900	179.31	59.83	63.89
1930	104.09	43.36	45.90
2000	81.63	40.36	42.38
2030	42.70	39.96	41.77
2100	37.80	35.82	37.63
2130	34.82	35.81	37.91
2200	34.18	20.17	21.97
2230	34.09	20.11	21.91
2300	34.08	20.11	21.91
2330	34.08	9.07	9.07
2400	28.15	9.00	9.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0118 945 6789 between 8.30am and 5.15pm Monday to Friday.

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INTERNATIONAL COMPANIES AND FINANCE

Foster's targets Mildara with A$482m bid

By Nikki Tait in Sydney

Foster's Brewing Group, the Melbourne-based beer company, yesterday moved to diversify its Australian interests by launching a A$482m (US$355m) takeover bid for Mildara Blass, the largest of the independent winemakers listed in Australia.

Mildara, which is also based in Melbourne and best-known domestically for its Wolf Blass labels and for the Black Opal/Black Marlin/Black Silk brands in the US, said it would ask an independent expert to report on the offer, and advise shareholders after that.

However, although the Foster'e bid price of A$7.75 a share was pitched at a 22 per cent premium to Friday's closing price for Mildara, the winemaker'e shares rose slightly beyond the offer price. They ended the day et A$7.85, although most analysts seemed to feel the Foster's offer was fairly pitched.

The bid is the first significant acquisition move by Foster's since it sold its Courage brewing business in the UK to Scottish & Newcastle for £425m (US$649m) earlier this year. In recent years, Foster'e has also been disposing of e wide range of non-core assets, using the proceeds to pay down debt.

Although A$600m-worth of assets are still up for disposal, the company has been saying recently that the restructuring is now largely over. Once these final sales are factored in, it is largely ungeared and thus feels able to expand.

The purchase of a domestic winemaker tallies with the future strategy for the group which Mr Ted Kunkel, chief executive, has been outlining.

He has talked about broadening the group's activities in Australia, through moves into the leisure industry and non-beer beverages, as well as international brewery expansion.

Last week, et a securities industry lunch, Mr Kunkel was asked specifically if wine could be an expansion area for Foster's, and he said it was something the group would have to look at.

Yesterday, Foster's chief executive edded that the Mildara deal would give his company "good growth prospects in a related business". The existing Mildara management would remain and run the business as a new division of FBG, he indicated.

Mildara itself has been an acquisitive company in recent years, buying up e number of brands in the 1980s and merging with Wolf Blass in 1991.

Earlier this year it raised A$44m in a rights issue, and Mr Brian Healey, chairman and also a Foster's director, stressed that the company was still on the acquisition trail.

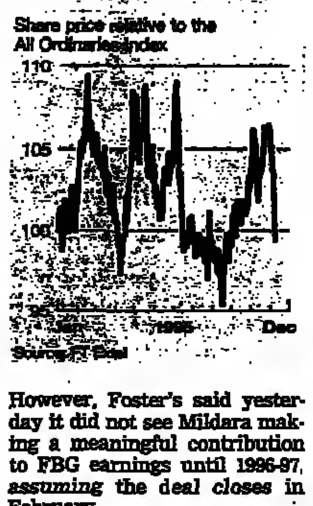
Mildara'e sales growth has been strong recently, despite the slower trading environment, and in the year to end-June, it saw a 29 per cent rise in after-tax profits to A$23.1m.

Many analysts have favoured the company because of its good US sales presence and fairly secure grape supply arrangements – a big problem for some Australian wineries.

Mildara itself has talked of an annual earnings per share growth target of 10 per cent.

Foster's Brewing

Share price relative to the All Ordinaries index



Source: FT Extel

However, Foster's said yesterday it did not see Mildara making a meaningful contribution to FBG earnings until 1996-97, assuming the deal closes in February.

Gencor celebrates centenary with surge of energy

The South African group is reaping the benefits of a more international outlook, writes **Kenneth Gooding**

Gencor is behaving in a very sprightly manner for a corporation that this year celebrates its 100th birthday. Last month it signed two big deals in three days, and there is more to come.

Mr Brian Gilbertson, chairman of the South African natural resources group, makes no secret of what tops his list of priorities. That issue is how to link Alusaf, the aluminium producer in which Gencor has e 41 per cent stake, with the beuxite and alumina operations of Billiton, a wholly owned subsidiary.

Bauxite and alumina are essential raw materials for aluminium production and Mr Gilbertson says: "If it was all in the same business it would be a very attractive business. Very cost competitive. All the companies that would be in the integrated business have good cash flows. Even at low prices they generate cash."

One obstacle was cleared away in August when Gencor agreed to pay US$75m to the Royal Dutch/Shell group for the 30 per cent of Billiton on which Shell had an option.

Mr Gilbertson suspects that Alusaf shareholders would not be averse to their company merging with the Billiton operations to form the world's fifth largest integrated aluminium group. "I feel they might be happy to have a share in a bigger business."

Another option would be for Gencor to own the whole of the aluminium business. As well as the public shareholdings, this would also involve buying out Alusaf's other two big shareholders, Escom, the electricity supply group with 8 per cent, and the South African Industrial Development Corporation, with 33 per cent.

The two deals signed in November were also strategically important for Gencor. One had been widely expected because it made such good industrial sense and first details were given in June. This was the agreement to merge Gencor's platinum interests with those of Lourho, the UK-based conglomerate, to form the world's biggest platinum producer, using Impala as the vehicle. Gencor is swapping 46.5 per cent of a company producing 1m ounces of platinum e year for 32 per cent of one with an output of 1.5m ounces.

However, the other deal came out of the blue and was unprecedented in the long history of the South African gold industry. Gencor sold its interests in four gold mines to Randgold. In future its South African gold division will concentrate on operations in the Evander and southern Free State areas.

The new management team at Randgold made the first approaches but, typically, Gencor reacted swiftly once the proposal was made.


Brian Gilbertson: Gencor still burdened with exchange controls

It was not always so.

Less than 10 years ago Gencor was an unwieldy, bureaucratic conglomerate whose performance and rating were so poor that desperate institutional shareholders drafted in Mr Derek Keys in mid-1986 to give the business a thorough overhaul. He proved to be a good choice. When he left to become South Africa's finance minister five-and-a-half-years later, Gencor was a successful, entrepreneurial, decentralised group and its rating had improved substantially.

But it still suffered from the disadvantage that plagues most conglomerates – its shares were trading at a big discount to net asset value, even a 30 per cent discount at some times. As the group was valued at about $5bn this was a huge sum shareholders were not seeing. "We somehow are destroying shareholder value," Mr Keys would say despairingly to his fellow directors.

He floated the idea that Gencor should unbundle but this proved to be impossible during his time at Gencor because of tax complications. Eventually the fiscal legislation was changed and Gencor, not without some trepidation on the part of some directors, unbundled in 1993 to create a focused mining company.

According to Mr Gilbertson, "that released a surge of energy among managers. It has been a huge success. The mining business we were left with is now worth more than the original group. Gencor now trades at e premium to asset value."

There were other important building blocks in Gencor's transformation. In South Africa in the past two years it built some world-class businesses, one through the platinum merger, another by increasing its shareholding in the Richards Bay Minerals mineral sands business so that it is now in 50-50 ownership with RTZ of the UK, and thirdly by merging Trans-Natal Coal with Rand Mines, two companies that made a perfect fit, to form Ingwe. "That deal leap-frogged us from being good to being world class in the coal business."

Gencor also took a one-third interest in the R3.5bn ($954m) Columbus stainless steel venture, and in Alusaf's audacious R5.5bn project to build one of the world's biggest aluminium smelters.

This showed great faith in South Africa's future but, like Mr Keys before him, Mr Gilbertson saw the need for Gencor, which had most of its assets in that country, to become more international. As he saw it, this was an absolute necessity if Gencor was to compete effectively with other mining giants.

During South Africa's apartheid years Gencor geologists could not even visit most of the countries where the best mining opportunities were to be hed. When the political environment changed there were some talks with Lonrho that came to nothing but then Gencor became eware that Shell might sell Billiton. It was a highly complex deal, partly because of South Africa's tight exchange control regulations, and took a year to complete.

Those exchange controls are still burdensome. Mr Gilbertson says Gencor missed out on another ettractive deal because it could not get the cash together fast enough. Obviously Gencor for the time being has no intention of pausing for breath even if trying to weld its aluminium interests together takes top priority.

Anelysts are enthusiastic about the transformed Gencor although they point out that the group was lucky with the timing of the $1.1bn Billiton deal and start-up of the Alusaf smelter, both completed just in time to benefit from a sharp rise in the aluminium price. Most of its other ventures have also had remarkably smooth rides.

"Gencor has a small management team," said one analyst, "and, although it is an impressive team, it is fully stretched at the moment. I wonder how it would cope if something went badly wrong."

Institutions to get £400m of tax credits on their stakes

Grid stakes sale raises £376m

By David Wighton and Antonia Sharpe

North West Water and Scottish Power sold their combined stakes in the National Grid for £376m ($594m) yesterday as official trading in the transmission network's shares opened. The disposal, handled through a bookbuilding process by brokers Dresdner Kleinwort Benson and UBS, held back the Grid price which closed at 209¼p, valuing the company at £3.54bn.

As a result, institutional investors are set to receive an estimated £400m-worth of tax credits on their shares in the Grid, which has been demerged by the 12 regional electricity companies.

Because the demerger is being treated as a dividend distribution, pension funds and other institutions which are tax exempt will be able to claim 52¼p per share from the Inland Revenue. Non-tax-paying private shareholders and those who hold the rec shares in personal equity plans will get the same rebate.

Top-rate tax payers will face a 52¼p bill on each share.

However, the sums will be less than had been expected because of the subdued closing price which forms the basis of the calculation. The closing price also determines the capital gains tax bill faced by the recs. Analysts said the moves by North West Water and Scottish Power had enabled them to realise a good price for their shares while depressing the market price and so minimising their tax bills.

The bookbuilding was successfully completed yesterday at a price of 208p, realising £208m for North West Water and £168m for Scottish Power before the brokers' undisclosed fees.

Southern Company of the US sold 25m of its holding of 106m shares to SBC Warburg for sale to institutions.

The City had been expecting early sales by some of the five recs which have retained their Grid holdings.

This group, which must sell their holdings within 12 months, comprises Southern Electric and four of the recs which have been taken over: Norweb (acquired by North West Water), Manweb (by Scottish Power), South Western Electricity (by Southern Company) and Eastern (by Hanson). The early sellers are able to tap into demand from index funds which have to buy the stock because it has gone into the FT-SE 100 index.

Alan Harper

David Jefferies, Grid chairman: worth £3.65bn after first day

Goldman Sachs awards big pay increases

By Nicholas Denton

Goldman Sachs, the private US investment bank, has set the tone for remuneration in the City by nearly doubling performance-related pay on average in awards to be announced to staff today.

In London, Goldman's 33 partners and 20 high performing staff are expected to receive more than $1m each, in addition to their basic salary. Bonuses at Morgan Stanley, another US investment bank which leads the pay season with a November year-end, are also expected to be up when announced today.

The awards underline the recovery in investment banking profits after the setback to the industry which followed the raising of US interest rates in early 1994 and consequent fall in bond markets. They re-establish investment banking's reputation as the highest paying profession.

Morgan Stanley and Goldman have both been lifted by a record level of acquisition activity in tha US and Europe, which has generated high fees for advisers.

Despite the recovery, bonuses at Goldman are still below the level of 1993, when about 70 London executives earned $1m in performance-related pay. Then, administrative and support staff received a bonus of 30 per cent of basic salary, against 8 per cent in 1994 and 20 per cent in 1995.

Partners will not enjoy an immediate bonanza. They, unlike staff, take their share of profits in a credit to their "capital accounts". It bears interest but the accumulated pay can only be cashed in when a partner retires. This structure contributed to the large number of resignations from the partnership at the end of 1994, when poor profits had raised some partners' concerns about Goldman's prospects.

Goldman, in an internal memorandum last week, also told staff it would differentiate more strongly between individuals in determining pay in order to steepen incentives. But it said that individual performance would inclnde the ability to work in a team and enhance others' work.

Mr Jon Corzine, chairman of Goldman, also said the firm stood by its principle nf "mutual support". At Goldman more than many other investment banks, profitable activities, such as mergers and acquisitions in 1995 or trading in 1993, subsidise less well performing divisions.

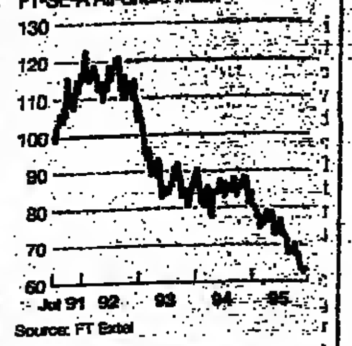
LEX COMMENT

Allied Domecq

If Allied Domecq shareholders were to present incoming chairman Sir Christopher Hogg with a Christmas wish list, they should ask him to do three things: to prise open the group's inward-looking culture, overhaul its spirits arm and get shot of the disastrous Carlsberg-Tetley brewing joint venture. Investors certainly have grounds for complaint. After a great deal of sound and fury – there have been transactions worth £2.5bn in four years, including the purchase of Domecq spirits and the sale of Lyons foods – underlying profits in 1996 will be virtually the same as in the past two years.

Allied Domecq

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

The shares have underperformed the market by almost 40 per cent since the present management team took over in July 1991. The strategy of focusing on retailing and spirits still looks sound, but timing has been poor. Growth in world spirits markets has slowed sharply. Domecq's profits are being hit by the Mexican peso's devaluation and the disposals will dilute earnings by about 5 per cent. Allied's spirits arm lags behind rivals like Seagram in aggressive cost-cutting and Guinness in powerful distribution. In the retailing division, outlets like Dunkin' Donnts have little in common with UK pubs. Carlsberg-Tetley has turned in the worst performance of all the big UK brewers.

Not all of this is the management's fault. Nor can it be put right overnight by a new chairman. But a look at Allied's board, almost all of whom are homegrown, suggests a need for fresh ideas to release the group's undoubted potential.

API at £8.4m helped by purchases and new products

By Christopher Price

Full year pre-tax profits at API increased 19 per cent from £7.01m to £8.35m ($13.2m) as the packaging and coatings group benefited from new products and contributions from acquisitions.

Turnover for the year to September 30 rose 31 per cent to £104m. Operating profits rose 28 per cent to £8.44m, including £740,000 in the second half from three acquisitions made earlier in the year.

The increase came despite a decline in group margins from 8.5 to 8.1 per cent.

Mr Michael Smith, chief executive, said paper, board, polyester and film costs had risen by half during the year: "We hope we have seen base material prices peak, and the rate of increase has now begun to slow."

In the foils and laminates division, operating profits rose 38 per cent to £6.5m on sales also 38 per cent higher at £70.3m.

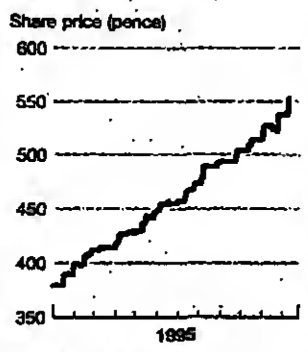
Cost savings and increased volume offset higher raw material prices, enabling margins to be maintained at 9.3 per cent.

Profits in the converted films, paper products and office consumables bnsiness rose 15 per cent to £3.7m, with sales 24 per cent ahead at £33.7m.

Mr Smith said the outlook for the current year was encouraging, with new investments allied with easing raw material price rises pointing towards an improved performance. New areas includa paper metallisation, with the opening this week of a new £8m plant. API has also signed a deal with Polaroid to make protective coating for X-Ray films.

API Group

Share price (pence)



Source: FT Extel

Earnings per share rose 37 per cent to 27.4p.

The dividend, which is covered 2.7 times, is raised 10 per cent to 10p via a final of 5.93p.

JFB back in black with £5.8m

By Tim Burt

Jnhnson & Firth Brown, the specialist engineer, yesterday announced a return to profit amid strong demand for commercial vehicle components and steel castings. The company, hit last year hy heavy restructuring costs and losses on disposals, rebounded with pre-tax profits of £5.82m in the 12 months to September 30, against losses of £4.39m.

Mr David Hall, chief executive, said the improvement was fuelled mainly hy UK subsidiaries making forgings, castings and rings for its Firth Rixson division. However the division had been hampered by manufacturing prohlems in the US, where the flat aero-engine market and failure to pass on raw material price rises contribnted to undisclosed trading losses.

Carclo rises 12% despite destocking

Carclo Engineering Group, the specialist steel and industrial wire manufacturer, yesterday reported a 12 per cent increase in first half profits despite signs nf destocking among some industrial customers, writes Tim Burt.

Mr Ian Williamson, chief executive, said the figures would have been better, had it not been for a disappointing performance in the general engineering division. The division was hampered hy changing product specification for control cables and destocking by some customers.

Its lower contribntion was more than offset by increased profits in the Lee steel division and the wire division.

Mr Williamson, recruited earlier this year from BBA Group, said this division was enjoying the benefits of last year's rationalisation, which involved the closure of its Belgian plant.

He hinted at further rationalisation following the group's recent £4.3m acquisition of Ashworth Brothers, the US card clothing business, which should enhance its presence in the North American market.

UK side behind fall at Airtours

By Scheherazade Daneshkhu Leisure Industries Correspondent

Mr David Crossland, chairman of Airtours, the UK's second largest tour operator, said yesterday he expected the UK holiday market to contract by 15 per cent next year from 10m to 8.5m holidays sold.

Mr Crossland said he expected the price of UK holidays to rise by 8-10 per cent next year.

He was speaking as tha company reported a 22 per cent fall in pre-tax profits to £59.1m ($93.4m) for the year to the end of September.

The decline was less steep than investors had feared. Airtours issued a profits warning in the summer saying profits could fall by up to 25 per cent. The shares rose 22p to 358p.

In its first full-year contribution, the Scandinavian Leisure Group, bought in June 1994 for £80m, contributed profits ahead of expectations at £25.1m.

This, and Mr Crossland's commitment to reducing Airtours' capacity by 15 per cent, pleased the market.

Mr Crossland said that Airtours, which bought Sunquest, a Canadian tour operator in August, was a broadly-based group of companies. It was continuing with its strategy to increase earnings from outside the UK to match those domestically and would continue to search for investments overseas.

COMPANY NEWS: UK

Kvaerner angered by Indonesian Amec fear

By Andy Taylor and Peggy Hollinger

Kvaerner, the Norwegian industrial group stalking UK construction company Amec with a £360m ($570m) hostile bid, yesterday reacted angrily as the British government confirmed it had received a letter from the Indonesian administration expressing fears over the potential takeover.

Kvaerner believes the approach by the Indonesian government has been orchestrated by Amec. "It is scandalous that Amec's management is trying so blatantly to influence the British government to interfere and prevent Amec's shareholders having the choice to decide whether to accept our offer," Kvaerner said.

The letter, from Mr Jusuf Habibe, the Indonesian research and technology minister was sent to Mr Michael Heseltine, deputy prime minister. The Cabinet Office said yesterday it was attending to the letter. No decision had yet been taken on a course of action.

Kvaerner also launched an attack on Amec's defence document, which was published last week. Mr Eric Tonseth, chief executive, said shareholders should be sceptical of Amec's claims that profits would rise substantially in 1996, given the company's poor forecasting record, its failure to forecast the level of earnings for next year, and the past profits trend.

"Every year there has been at least one special factor which has punished results. Why should 1996 or 1997 be any different?" he asked.

Kvaerner has purchased a further 2 per cent of Amec shares in the market, bringing its total holding to 20.1 per cent. Shareholders must decide before December 18 whether or not to accept Kvaerner's 100p a share offer.

Italian acquisitions help Kenwood advance 24%

By James Harding

Kenwood Appliances reported higher interim profits as the integration of Ariete, the Italian appliance maker bought last year, offset squeezed margins and lower sales in the UK.

The household appliances producer unveiled pre-tax profits up 24 per cent at £7.4m (£5.95m) on turnover of £87.2m (£60.4m) in the six months to September 30.

In the core UK business, sales slipped 7 per cent to £20.8m, but the company expected to be "more second half-weighted than in previous years".

Mr Tim Beech, who took over as managing director after Mr Tim Parker announced in September he was moving to head C&J Clark, said: "A difficult first half year's trading in the UK was compensated by an encouraging performance from Ariete and Mizushi".

The two Italian businesses, purchased in November last year and funded by a 1-for-4 rights issue that raised about £27m, made a substantial contribution to group sales, with Ariete's turnover up 30 per cent at L28.4bn (£11.6m). Mizushi, which makes portable air conditioners, started production this year, and had sales of L28.2bn.

In the UK, Kenwood said sales of food preparation equipment were constrained by the hot weather, but looked forward to the six months around Christmas.

"The second half has started well, and we have a number of new product introductions planned which should help improve sales performance in some key markets," Mr Beech said. He also suggested that as retailers ordered stock closer to sale, more Kenwood sales would tip into the second half.

Earnings per share were very slightly ahead at 11.3p (11.2p), after the issue of an extra 9.17m shares to fund the Italian buys.

Analysts left forecasts of full-year profits unchanged at £17m, but, in the light of lower tax than expected, earnings per share are forecast at 25.4p. With the shares closing down 2p at 229p, that gives a prospective p/e of nearly 9.

The interim dividend is unchanged at 3.25p.

Tim Beech: new products should help second half

BTG loss less than expected

BTG, the former British Technology Group which floated in July, reported maiden interim pre-tax losses of £2.1m ($3.3m) compared with profits of £290,000. The figure was better than the £2.5m forecast at flotation, writes Motoko Rich.

The shares rose 67p to 920p.

The losses were because of lower income following the expiry of its patent for Pyrethrin, an insecticide which is one of the big revenue earners.

Mr Ian Harvey, chief executive, said the group, which develops patents for new technologies which it then licenses, had several products in its pipeline and expected to return to profits by 1998.

These include Tomudex, an anti-cancer drug licenced to Zeneca.

Non-core disposals boost Whessoe

By Peter Pearse

Whessoe, the instrumentation and control group, returned to the black in the year to September 30, as it began to benefit from its recent shedding of non-core businesses.

Pre-tax profits of £1.31m ($2m) compared with losses of £179,000, but were struck after a sharp fall in net interest charges to £697,000 (£1.4m).

Mr Chris Fleetwood, chief executive, said the lower interest charge was the result of tight control on working capital and the effect of the disposals – the 54 per cent stake in Powec, a Norwegian subsidiary sold for £3m in July, and the piping division, for £11.7m in October 1994. Gearing, previously at 54 per cent, was eliminated by the disposals.

They also affected the tax charge, which rose to £1.76m (£680,000) for an after-tax deficit of £448,000 (£859,000). Mr Fleetwood explained that the profit on the sale of Powec, being an overseas company, was taxable, and that the write-off on the piping sale was not tax-deductible. Such a charge was anomalous, he said, and would return to about 30 per cent.

Operating profits rose to £4.7m (£2.19m), including £5.09m (£4.62m) from continuing operations. The net loss on the disposals was £2.45m.

Mr Fleetwood said the main changes had been achieved and that acquisitions were now being sought, probably to expand the product range. He added that the group was "underweight" in the UK.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Airtours	Yr to Sept 30	1,318	(971.7)	59.1	(75.8)	34.74†	(49.24)	11	Feb 20	10.9	14	12
Allders	Yr to Sept 30	828.7	(732.9)	23.5♠	(25.5♥)	15.4†	(20.8)	4.6	Feb 22	4.5	7	6.7
API	Yr to Sept 30	104	(79.6)	8.35♠	(7.02♥)	27.4	(21.8)	5.93	Feb 12	5.38	10	9.08
BTG	6 mths to Sept 30	8.8	(11.8)	2.1L	(0.29)	21.48L†	(7.9L)	-	-	-	-	-
Carclo Eng	6 mths to Sept 30	76	(65.5)	8.2	(7.29)	9.2	(8.2)	3.44	Mar 6	3.2	-	10
Court Cavendish	6 mths to Oct 31	13.3	(11.3)	2.24♠	(2.24)	8.6	(9.5)	1.78	Jan 25	1.55	-	4.8
Dewar Scientific	6 mths to Sept 30	1.09	(0.431)	0.097L	(0.515L)	0.4L	(2.13L)	-	-	-	-	-
Dwyer Estates	Yr to Sept 30	6.36	(5.59)	2.17	(1.42)	3.93†	(3.16)	0.8	Feb 27	0.75	1.175	0.75
Electronic Data	Yr to Sept 30	12.6	(14)	3.08	(4.12)	7.53	(10.21)	1.483	Apr 9	1.333	2.15	2
Firstbus	6 mths to Sept 30 ☆	174	(150.7)	9.07♠	(11.9)	2.8	(4)	1.6	Feb 19	-	-	-
Greencore ‡	Yr to Sept 29	436.9	(404.5)	47♥	(39.5)	45.9	(38.4)	7.7	Mar 1	6.2	11.8	9.9
Greene King	24 weeks to Oct 15	76.1	(71.5)	11.1	(9.81)	19.1	(17.5)	4.5	Feb 2	4.1	-	14
Hardys & Hansons	Yr to Sept 29	34.1	(32.7)	8.1	(7.72)	21.95	(20.94)	6.4	Mar 4	6	10.1	9.4
Hewitt	Yr to Sept 30	45.7	(31.8)	4.58	(2.92)	4.3†	(2.8)	1	Apr 5	0.875	1.4	1.15
Innovations	Yr to Aug 31	73.8	(74.1)	9.04♥	(0.128♠)	41.7	(0.89)	nil♦	-	1.5	-	1.5
Johnson Firth Brown	Yr to Sept 30	132.5	(130.1)	5.82♥	(4.39L♠)	2.9	(3.6L)	0.7	Mar 1	nil	1	nil
Kenwood	6 mths to Sept 30	87.3	(60.4)	7.4	(5.95)	11.3	(11.2)	3.25	Feb 23	3.25	-	10
Pelican	6 mths to Sept 30 ★	24	(13.6)	3.02	(1.37)	2.9†	(1.63)	0.65	Jan 24	0.5	-	1.5
Prior	6 mths to Sept 30	1.55	(1.82)	0.367	(0.401)	4.86	(5.24)	2	Jan 26	1.6*	-	4*
Reliance Security	6 mths to Nov 3	41.9	(40.2)	1.78	(1.49)	5.3	(4.4)	1.75	Feb 29	1.4	-	5.8
Richards	Yr to Sept 30	84.8	(75.1)	1.14L♠	(4.82L♠)	5.45L	(17.31L)	0.93	Mar 4	0.93	2	2
Shelton (Martin) §	6 mths to Sept 30	2.35	(2.34)	0.011	(0.011L)	0.14	(0.14L)	1.25	Jan 15	1.25	-	3.75
Whessoe	Yr to Sept 30	85.9	(117.9)	1.31♠	(0.179L♠)	1.84L	(3.76L)	3	Feb 16	nil	4.5	2.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Enterprise	6 mths to Oct 31	219	(207)	0.959	(0.389)	4.05†	(1.95)	1.6	Jan 26	1.5	-	4.4
Mercury Euro Priv	6 mths to Sept 30	107.26	(96.32)	10.9	(6.5)	1.9	(1.13)	0.6	Jan 12	0.6	-	1.75
Scudder Latin Am	6 mths to Oct 31 ✠	72.41	(99.66)	0.185	(0.051)	0.37	(0.1)	-	-	-	-	0.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♦Current period covers 16 months to December 31; final of not less than 2.5p forecast. ☆Comparatives pro forma. ‡Irish currency. ★Comparatives restated. *Adjusted for share consolidation. §USM stock. ✠Comparatives for 10 months.

LEGAL NOTICES

NO. 007136 of 1995

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF STERRY COMMUNICATIONS (UK) LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated the 6th day of December 1995 confirming the reduction of the share capital of the above named company from £5,100,000 to £1,680,700 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 6th day of December 1995.

DATED this 7th day of December 1995

Denton Hall
Regency Court
206/208 Upper Fifth Street
Milton Keynes
MK9 2HR

Ref: SMBP
Tel: 01908-690260

Solicitors for the above-named Company

EUROBRAZ LIMITED
In Members' Voluntary Liquidation

COMMODITIES AND AGRICULTURE

UK backs European wheat export tax

By Alison Maitland

The UK government yesterday backed the European Commission's imposition of an export tax on wheat to halt European Union sales to the hnoyant world market.

Mr Tony Baldry, junior agriculture minister, told the annual Crops conference in Cambridge the government was concerned about the market "imbalance" caused by current high world cereal prices.

While grain farmers benefited, consumers and livestock farmers suffered. "It is not in anyone's interests if feed consumers are driven to the wall or to alternative feed ingredients."

Mr Baldry said the agreement to cut the set-aside rate from 12 per cent to 10 per cent next year, together with expected yield increasea, would boost the EU's production by about 10m tonnes.

"But it will do no good if that extra production is simply exported from the community – with or without subsidy. It is essential that the commission adopt a very cautious approach to exports until such time as internal market prices return to more reasonable levels."

He thus fully supported last week's imposition of the first export tax for 20 years.

Cereal growars in France, tha EU's largest grain exporter, are angry at the levy of Ecu25 (£20.80) a tonne, which is expected to discourage rather than halt all exports. The commission acted in response to concern over the damage high cereal prices might do to the livestock sector.

However, Mr Jooathan Hough, a farmer and crop consultant based in France who spoke at yesterday's conference, said the tax would not depress internal EU prices as much as the commission hoped. Prices in France had fallen only slightly since the tax was imposed on Thursday and "French wheat farmers shouldn't be too worried."

Heavy demand, together with the pull from rising world market prices, would help stabilise French prices at around FFr900 a tonne, although they might not regain their levels of up to FFr950 a month ago.

Zanzibar squeezed in cloves power struggle

Michela Wrong on the island that once accounted for 90 per cent of world output

Tiny but pungent, the clove has always inspired a level of fierce possessiveness out of all proportioo to its marginal role in the human diet.

Jealously guarded hy the Dutch colonisers of Indonesia, bent oo establishing a world monopoly, cloves were smuggled out by the French in the 18th century. Planted in Mauritius, they were stolen once again by Arab traders who hrongbt them to the Indian Ocean islands of Zanzihar, creating the spice islands of legend.

Now a new squabhle for control is hrewing, this time between the Zanzibar archipelago and the Tanzanian mainland, locked in an antagonistic, mutually suspicious union for the last 31 years.

Some years ago seeds were taken from Zanzibar to the Tanga and Ngorongoro in north Tanzania and nurseries estahlished on the mainland. According to reports filtering back, those plantations are now starting to produce cloves, although still too small to compete with Zanzibar's produce, judged the best in the world.

"We cannot talk about such things openly, the subject is too sensitive," says an official at the Zanzibar State Trading Corporation, sole exporter of the islands' cloves. "But what we would like to know is: why is the mainland planting cloves at a time of world surplus? We have our suspicions." Those suspicions are spelled out by Zanzibar's oppositioo, which recently lost its campaign to win greater autonomy from the mainland by coming second in elections widely believed to have been rigged by Tanzania's ruling party.

> 'Why is the mainland planting cloves at a time of world surplus? We have our suspicions.'

"The mainland's intention has always been to annex Zanzibar completely and do away with the present two-government structure," says Mr Nassor Seif Amour, deputy head of the Civic United Froot. "But it wasn't easy while we were economically independent.

"[Julius] Nyerere [then president of Tanzania] knew cloves were our only source of hard currency. So if everyone in the world started producing cloves we would he halpless and forced to bow down before him. He wanted to make us dependent."

Whether paranoia or reality, Zanzibar's fears are founded on an incontrovertihle fact: world demand for cloves – used as a spice, in medicine, in aromatic cigarettes, in toothpaste and for very little else – is tiny. Production far outstrips demand, and a tight rein must be kept on global output if any nation is to make money.

Seated in a sea-front office where the sweet aroma of the dried buds seems to have permeated the wood pannelling, Mr Abdulrahman Rashid, ZSTC's general manager, has oo thoughts of expansion.

Instead he talks of trimming the acreage sown to clove trees, encouraging farmers to diversify into other spices under a UK-sponsored scheme, ahandoning marginal plantations and ensuring that annual production from a few prime sites never exceeds 5,000 tonnes.

"The key thing is not to overprodnce," says Mr Rashid. "If we go back to harvesting an average 9,000 tonnes a year we simply won't find the market." It was not always so.

Once responsible for 90 per cent of world production, Zanzibar could pretty much dictate its terms. World prices were strong – hitting a high of $9,600 a tonne in 1980 – trees were picked three times a year and in boom years annual prodnction soared ahove 20,000 tonnes.

The islands' trouhles can partly be traced to former president Nyerere, whose high-minded policies nearly destroyed so many sectors of the economy.

Under the Arab traders who came and settled on Zanzibar, building mosques, palaces and domed baths for their harems, cloves were grown on huge plantations worked hy slaves from the mainland. In 1964 the former slaves revolted and seized the land, massacring the elite.

The new regime soon merged with mainland Tanganyika and adopted its left-wing principles. Land was nationalised, plantations split into three-acre plots and distrihnted to the peasants. But the state kept most of the proceeds, with farmers receiving less than 4 per cent of the export price.

With returns so low there was little incentive to harvest, fertilise, maintain or replant. Production dropped to 1,000 tonnes a year at one stage. Trees were harvested once a year.

While Zanzibar's crop languished, others were picking up the slack. Indonesia, one of the world's biggest consumers, started growing its own cloves to cater for a booming clove-scented cigarette industry; Madagascar upped production; Brazil sowed plantations and joined in.

The resulting overproduction disastrously undermined the world price, which has settled at $1,000 per tonne after dipping to a pathetic $600 last year.

Although it is belatedly paying its farmers 50 per cent of the export price, Zanzibar has dropped to fourth in the world table of producers. Output from its trees, most of which are over 60 years old and well past their prime, is expected to be under 3,000 tonnes this year.

Although harvest-time still sends waves of fragrance billowing across the lush Zanzibar countryside, islanders now look to a budding tourist industry, oil exploration and other sectors to provide cherished foreign exchange.

But the extent of the dramatic price collapse may actually prove a blessing. Brazil, calculating that any price below $1,500 a tonne is uneconomical, is pulling out of the cloves market. Zanzibar, with its low labour costs, may he ahle to keep producing at levels scorned hy some of its rivals.

"A certain amount of cloves will always be needed. So it'a going to be a question now of who can produce at the lowest prices," says Mr Rashid.

Preoccupled with retrenchment, ZSTC has no plans to loosen its current monopoly on exports. "At the moment we need to replant and revive plantations we want to retain. If the industry were completely liberalised no-one would care ahont the future. They would milk the cow until she fell down dead."

Big expansion planned at Chilean copper mine

By Imogen Mark in Santiago

Plans to increase production capacity at Chila'a Los Pelambres copper mine from 22,000 tonnes of refined copper to 230,000 tonne a year were announced yesterday by Mr Vladimir Radic, chairman of Anaconda Chile. Feasihility studies had already been completed, Mr Radic said, and the company was now looking at ways of financing the expansion, which would require investment of about $1bn.

The plan is to bring the new production on stream by the last quarter of 1998.

Only a couple of months ago Anaconda confirmed plans to expand prodnction to 100,000 tonnes by early 1998, but that scheme has now been snhsumed in the larger project. Mr Guillermo Gonzalez, general manager at Los Pelambres, says the larger expanslon makes more economic sense. Cash production costs are now 60 cents a pound but would fall below 50 cents for the larger project, he estimates.

Anaconda is in talks with major Japanese smelting interests about long-term supply contracts, as well as a possible equity stake in the company and loans for the expansion. N.M. Rothschild, the UK merchant bank, is advising on the finance package.

If the Pelambres expansion goes ahead as planned, it will be coming on stream within months of another new megaprodncer, the 330,000 tonne Collahuasi mine, jointly-owned by Falconbridge and Minorco. The Collahuasi mine will also be producing concentrates, as well as 50,000 tonnes of copper cathodes. Two other big new producers dne on stream during 1997 and 1998 are the 225,000 tonne a year El Abra, a Cyprux-Amax joint venture with Codelco, the state company, and Radomiro Tomic, a new 150,000 tonne Codelco mine. Both of these will produce cathodes, however.

Anaconda is owned by the Luksic group, through its interest in Antofagasta Holdings, London. Last month it completed the buy-out of former partners in the Pelambres venture, Midland Bank and Lucky Goldstar, of Korea, for $100m. Anaconda acquired the Pelamhres deposit for $10m from Atlantic Richfield, the oil company, in the mid-1980s.

The existing mine is an underground operation in the high cordillera of the Andes, which produces 60,000 tonnes a year of concentrates. The expansion would be an open-pit facility, company sources confirmed, which would produce 600,000 tonnes a year of concentrates. Reserves are estimated at more than 2bn tonnes, with ore grades averaging 0.8 per cent.

Australian forecasting group predicts higher gold prices

By Nikki Tait in Sydney

Gold prices have "little chance of falling" from current US dollar levels and should increase in real terms over the next five to ten years, according to the latest study by Australian Mineral Economics, the Sydney-based forecasting group.

AME argues that fabrication demand will exceed new mine production plus scrap recovery in the forseeahle future. "Unless there are major shifts in jewellery fahrication demand or new mine production, the official sector and private holders of gold, plus derivatives-related supply will be required to make up the market deficit," it says.

It acknowledges that between 1990 and 1994 these sources snpplied about 890 tonnes to the market but suggests the market deficit could widen to 2,800 tonnes hy 1995 and 5,500 tonnes by 2005. "A significant real price increase will be needed to raise mine prodnction and alow fahrication demand growth," it says.

AME predicts a nominal price of US$482 a troy ounce hy 2000, or, in 1995 US dollar terms, around $416 an ounce.

● Prominent environmental groups in Australia – including the Australian Conservation Foundation and the World Wide Fund for Nature - yesterday stepped up the environmental controversy over the Porgera gold mine ln Papua New Guinea.

They endorsed a report that argues that "the environmental and social impacts of the Porgera mine are at least as bad as those of the Ok Tedi mine and, possibly, worse". Ok Tedi, operated by Australia's BHP, is the suhject of a compensation furore, with local villagers claiming that discharges into the local river system have devastated their livelihoods. Much of the criticism of the Porgera mine also centres on tailing discharges into the Strickland/Fly River system.

However, the owners of Porgera – a joint venture between Renison Gold Fields, Placer Pacific and Highlands Gold, an offshoot of Qneensland-hased MIM – have claimed that the allegations are "inaccurate and misleading".

"The mine was approved hy PNG authorities after a detailed and vigorous environment assessment process involving review hy international advisers to the PNG government," said a Placer official.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1644-45	1679-80
Previous	1639-40	1675-6
High/low	1645	1681/1678
AM Official	1645-45.5	1678-78.5
Kerb close		1683-5
Open int.	232,203	
Total daily turnover	31,429	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1410-20	1450-60
Previous	1410-20	1450-55
High/low		1460/1450
AM Official	1415-25	1450-60
Kerb close		1450-60
Open int.	5,043	
Total daily turnover	771	

■ LEAD ($ per tonne)

Close	744-48	734-35
Previous	740.5-2.5	725-26
High/low	746	744/732
AM Official	745.5-46	734-35
Kerb close		743-44
Open int.	34,132	
Total daily turnover	8,395	

■ NICKEL ($ per tonne)

Close	8220-30	8345-50
Previous	8100-10	8220-25
High/low	8185	8380/8280
AM Official	8180-85	8300-10
Kerb close		8370-80
Open int.	44,250	
Total daily turnover	9,211	

■ TIN ($ per tonne)

Close	6360-90	6380-85
Previous	6310-20	6325-35
High/low	6380	6390/6365
AM Official	6380-85	6375-80
Kerb close		6420-30
Open int.	19,131	
Total daily turnover	5,908	

■ ZINC, special high grade ($ per tonne)

Close	1037-38	1062-63
Previous	1014-15	1038.5-39.0
High/low		1065/1056
AM Official	1036-36.5	1061-61.5
Kerb close		1065-6
Open int.	82,357	
Total daily turnover	24,263	

■ COPPER, grade A ($ per tonne)

Close	2994-95	2694-95
Previous	2978-83	2684-85
High/low	3005/2995	2699/2675
AM Official	3003-5	2685-87
Kerb close		2698-700
Open int.	179,903	
Total daily turnover	77,102	

■ LME AM Official £/$ rate: 1.5345
LME Closing £/$ rate: 1.5360

Spot: 1.5345 3 mths: 1.5330 6 mths: 1.5300 9 mths: 1.5273

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	135.15	+1.55	136.20	134.00	949	7,439
Jan	129.65	+2.25	130.00	129.10	137	2,555
Feb	126.20	+2.10	-	-	12	972
Mar	122.85	+2.05	123.30	121.25	4,000	15,393
Apr	121.40	+2.05	-	-	15	481
May	119.60	+2.00	120.20	110.40	373	2,804
Total					5,770	37,353

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	389.30-389.70		
Opening	389.90-390.30		
Morning fix	389.70	254.125	454.468
Afternoon fix	389.60	254.125	454.468
Day's High	389.90-390.30		
Day's Low	389.00-389.40		
Previous close	389.50-389.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.74 6 months 3.01
2 months ....2.75 12 months 3.02
3 months 2.87

Silver Fix	p/troy oz.	US cts equiv.
Spot	342.05	525.25
3 months	346.50	531.15
6 months	351.00	537.15
1 year	360.10	549.00

Gold Coins	$ price	£ equiv.
Krugerrand	390-81	254-255
Maple Leaf	400.95-403.50	
New Sovereign	90-92	59-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	388.5	-1.4	390.5	388.5	287	1,405
Feb	390.0	-1.4	392.3	389.7	17,274	60,006
Apr	392.0	-1.4	393.8	392.0	100	14,437
Jun	384.0	-1.4	395.9	394.0	348	21,057
Aug	386.0	-1.4	-	-	107	-
Oct	398.2	-1.4	-	-	14	3,608
Total					18,411	144,382

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	418.5	+1.0	419.5	417.0	1,573	15,988
Apr	419.5	+1.1	420.0	418.5	159	4,433
Jul	421.1	+1.1	420.0	420.0	17	1,884
Oct	423.1	+1.1	-	418.5	160	1,023
Jan	424.1	+1.1	-	-	-	5
Total					1,760	23,333

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	137.55	+3.05	-	-	193	236
Mar	138.90	+3.05	140.50	136.00	578	5,491
Jun	140.30	+3.05	-	-	186	361
Total					957	6,088

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	518.3	-0.6	522.0	517.5	169	223
Jan	519.7	-0.6	522.5	522.5	41	77
Mar	525.5	-0.7	530.0	524.0	5,224	60,333
May	530.1	-0.6	534.0	529.5	29	10,133
Jul	534.4	-0.0	537.0	535.0	80	0,781
Sep	538.6	-0.6	541.5	541.5	-	8,571
Total					5,686	94,629

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.89	-0.08	19.14	10.85	50,173	84,613
Feb	18.59	-0.02	18.74	18.55	29,013	01,861
Mar	18.35	+0.03	18.45	18.31	13,271	37,936
Apr	18.14	+0.02	18.24	18.12	5,076	18,876
May	17.98	+0.01	18.06	17.97	2,801	11,032
Jun	17.85	+0.02	17.92	17.85	2,750	24,369
Total					108,912	358,783

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	17.70	-0.00	17.94	17.70	17,474	38,175
Feb	17.39	-0.02	17.59	17.39	15,935	56,512
Mar	17.14	-0.01	17.31	17.14	8,290	22,535
Apr	16.97	+0.04	17.07	10.92	2,367	8,964
May	18.83	+0.07	16.90	18.78	1,373	4,655
Jun	16.71	+0.09	10.72	16.65	616	9,466
Total					44,375	152,400

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	57.50	+0.91	58.00	56.71	25,733	47,974
Feb	55.80	+0.45	56.25	55.50	17,929	38,232
Mar	53.45	+0.19	54.05	53.36	7,514	17,799
Apr	51.20	+0.09	51.60	51.15	1,888	5,657
May	49.70	+0.19	49.65	49.80	702	5,995
Jun	48.00	-0.11	49.15	48.75	911	9,058
Total					55,139	140,272

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	170.50	+3.50	171.00	168.00	15,627	18,759
Jan	170.75	+3.50	170.75	168.00	10,184	33,669
Feb	166.75	+2.75	187.00	164.50	3,572	15,151
Mar	162.50	+2.00	163.25	160.75	551	5,896
Apr	159.00	+1.50	159.50	157.75	440	2,246
May	156.75	+1.50	157.00	156.00	148	1,157
Total					30,373	88,503

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.210	-0.006	2.235	2.182	21,810	40,880
Feb	2.132	+0.016	2.140	2.100	7,201	26,610
Mar	1.965	+0.013	1.966	1.945	2,680	18,418
Apr	1.818	+0.011	1.825	1.805	1,808	13,083
May	1.765	+0.013	1.777	1.745	2,099	10,570
Jun	1.750	+0.008	1.750	1.740	877	6,898
Total					39,274	165,508

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	55.50	+0.85	56.00	54.80	10,563	24,764
Feb	54.80	+0.50	55.25	54.45	7,080	20,353
Mar	54.05	+0.30	54.55	53.85	2,837	10,434
Apr	56.25	+0.32	56.65	56.25	1,506	5,848
May	56.20	-	56.20	56.20	1,450	4,125
Jun	55.10	-	-	-	973	2,251
Total					24,874	78,964

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	124.15	-1.00	124.65	123.95	213	2,099
Mar	125.80	-1.20	126.50	125.50	290	2,447
May	127.85	-1.25	128.50	127.55	258	3,357
Jul	129.80	-1.80	130.20	130.00	28	372
Sep	112.25	-1.25	112.50	112.00	15	57
Nov	114.25	-0.65	114.50	114.20	65	788
Total					868	9,118

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	518.50	+1.00	525.00	518.00	1,063	5,239
Mar	509.50	+1.00	515.00	509.00	12,894	56,581
May	470.75	+1.75	475.00	470.50	1,763	7,413
Jul	435.75	+5.00	436.50	431.50	3,140	24,129
Sep	436.00	+5.25	436.00	432.00	538	4,388
Dec	442.25	+5.25	442.50	439.00	523	1,910
Total					19,726	89,715

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	339.50	+2.75	341.25	339.00	6,439	20,210
Mar	347.25	+3.25	348.50	346.25	39,031	299,908
May	349.00	+3.75	349.75	347.25	7,039	58,772
Jul	344.25	+3.00	345.50	342.75	3,890	62,251
Sep	300.50	+1.25	301.00	299.50	954	11,694
Dec	287.75	+1.75	288.50	287.00	3,617	32,213
Total					01,169	487,283

■ BARLEY LCE (£ per tonne)

Jan	113.45	-0.70	113.65	113.15	100	671
Mar	115.50	-0.65	115.50	115.25	37	845
May	117.15	-0.65	-	-	-	402
Sep	109.50	-1.00	109.50	109.50	2	20
Nov	112.50	-	-	-	-	10
Total					139	1,954

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	714.50	+5.25	720.50	714.00	33,731	78,057
Mar	723.00	+6.00	729.00	722.50	9,544	54,875
May	725.00	+6.25	730.00	724.00	2,574	15,926
Jul	725.25	+6.00	729.50	724.50	4,869	22,446
Aug	720.75	+6.00	725.00	720.00	398	1,562
Sep	701.50	+2.00	708.00	702.00	68	1,767
Total					53,970	193,284

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	24.70	-0.14	25.05	24.65	257	1,173
Jan	24.75	-0.12	25.14	24.72	8,415	31,497
Mar	25.06	-0.15	25.50	25.04	3,925	27,396
May	25.39	-0.10	25.62	25.38	1,154	11,767
Jul	25.60	-0.18	26.00	25.60	2,147	9,147
Aug	25.65	-0.20	26.10	25.75	25	2,117
Total					16,175	87,589

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	224.9	+1.2	227.1	224.9	5,716	4,846
Jan	227.0	+1.4	229.3	226.8	18,195	39,734
Mar	230.1	+1.9	232.0	230.0	7,903	42,013
May	229.5	+2.0	231.0	228.5	1,900	11,965
Jul	229.0	+2.8	230.0	228.0	3,071	11,162
Aug	226.4	+3.4	227.0	224.8	50	1,392
Total					37,119	115,811

■ POTATOES LCE (£/tonne)

Mar	270.0	-	-	-	-	-
Apr	258.5	+2.2	260.0	257.0	46	1,217
May	300.0	+5.0	-	-	-	0
Jun	325.0	-	-	-	-	-
Total					48	1,225

■ FREIGHT (BIFFEX) LCE ($10/index point)

Dec	1640	+2	1640	1635	30	223
Jan	1640	+37	1680	1610	120	1,431
Apr	1610	+28	1015	1600	122	1,526
Jul	1410	+22	1415	1395	50	599
Oct	1494	+18	1485	1485	2	195
Jan	1517	+9	-	-	-	21
Total					327	4,143

	Close	Prev
BFI	1618	1608

FUTURES DATA
All futures data supplied by CMS.

Tea
There was strong and active demand reports the Tea Broker's Association. Brighter Assams sold well at around last levels but plainer sorts lost 2 to 4p with quality. East Africans again saw keen competition, with brighter and coloury medium sorts 5-10p dearer, sometimes more. Plainer Africans were also firm to dearer and the few Ceylons were substantially dearer. Quotations: best available 180p-254p/kg, good 163p-177p/kg, good medium 118p-148p/kg, medium 95p-114p/kg, low medium 85-93p/kg, the highest price realised this week was 254p/kg for a burundi

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	911	+10	-	-	21	100
Mar	942	+7	945	938	1,765	36,816
May	961	+6	963	957	349	14,601
Jul	979	+6	983	978	81	6,813
Sep	999	+6	999	999	10	27,751
Dec	1009	+5	1011	1009	95	5,972
Total					2,374	116,172

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1304	-12	1308	1308	38	191
Mar	1315	-5	1326	1315	6,345	39,279
May	1333	-5	1343	1333	445	13,089
Jul	1353	-5	1364	1357	252	5,215
Sep	1374	-5	1384	1378	22	9,862
Dec	1399	+1	1404	1402	43	8,091
Total					7,508	78,287

■ COCOA (ICCO) (SDR's/tonne)

Dec 8	Price	Prev. day
Daily	940.81	940.86

■ COFFEE LCE ($/tonne)

Jan	2133	+32	2210	2101	2,350	13,161
Mar	1857	-18	1920	1856	2,300	11,411
May	1772	-30	1830	1772	236	4,998
Jul	1726	-18	1770	1727	102	3,177
Sep	1690	-45	-	-	-	741
Nov	1676	-38	1703	1680	17	247
Total					5,085	33,737

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	105.90	+1.15	105.90	104.75	00	574
Mar	102.35	+0.80	103.25	101.25	4,948	10,655
May	101.00	+1.05	101.75	99.95	710	3,509
Jul	100.90	+1.40	101.75	100.10	101	1,139
Sep	100.00	+1.65	101.00	99.80	130	691
Dec	100.90	+1.65	99.90	99.90	29	565
Total					6,098	26,328

■ COFFEE (ICO) (US cents/pound)

Dec 8	Price	Prev. day
Comp. daily	101.79	102.97
15 day average	109.76	111.03

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.19	-	-	-	-	-
Jul	11.16	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

Mar	351.8	-0.9	354.1	351.5	735	14,825
May	343.0	-0.2	344.5	342.4	313	6,751
Aug	333.8	+0.7	334.5	332.3	165	3,815
Oct	306.0	+1.1	306.5	305.3	148	3,208
Dec	299.7	+1.0	298.5	299.0	25	1,604
Mar	297.2	+0.9	296.6	296.0	-	294
Total					1,399	38,891

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.38	-0.06	11.49	11.28	11,067	87,432
May	11.01	-0.02	11.05	10.00	3,082	24,598
Jul	10.48	+0.01	10.50	10.39	1,065	16,235
Oct	10.26	+0.03	18.27	10.10	591	18,308
Mar	9.98	-0.06	10.04	6.98	106	10,836
May	9.91	-0.02	9.90	9.90	-	1,356
Total					15,948	159,218

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	86.21	+0.11	86.60	85.30	2,661	25,260
May	85.58	+0.17	85.85	84.89	524	6,849
Jul	84.87	+0.05	85.35	84.00	245	0,720
Oct	80.74	+0.10	80.78	80.20	65	1,564
Dec	78.00	-0.08	78.05	77.80	730	8,141
Mar	78.78	-0.02	78.95	78.80	27	781
Total					4,338	54,363

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	127.40	+0.45	127.50	126.70	1,233	10,718
Mar	130.45	+0.50	130.50	129.60	1,359	6,653
May	132.75	+0.45	132.75	132.40	29	1,482
Jul	135.00	+0.45	-	-	-	640
Sep	137.25	+0.55	137.00	136.40	28	860
Nov	134.70	-0.30	134.50	134.50	10	510
Total					1,522	27,784

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 11	Dec 6	month ago	year ago
2136.5	2136.2	2151.8	2178.3

■ CRB Futures (Base: 1967=100)

Dec 8	Dec 7	month ago	year ago
245.17	244.20		

■ GSCI Spot (Base: 1970=100)

Dec 8	Dec 7	month ago	year ago
194.45	193.38	-	176.22

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.675	-0.800	68.125	67.600	2,452	10,595
Feb	67.275	-0.900	68.106	67.250	4,747	31,800
Apr	67.525	-0.675	68.050	67.500	1,736	15,813
Jun	63.175	-0.475	63.550	63.100	447	8,026
Aug	61.575	-0.375	61.950	61.525	222	3,920
Oct	62.525	-0.275	62.900	62.500	49	2,880
Total					12,953	74,084

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	47.300	-0.050	47.700	47.025	1,084	3,112
Feb	50.000	-0.325	50.375	49.875	4,289	16,067
Apr	49.650	-0.200	49.900	49.550	1,224	7,410
Jun	54.950	-0.225	55.175	54.800	464	4,951
Jul	54.225	-0.250	54.550	54.200	192	2,273
Aug	53.075	-0.075	53.150	52.850	160	1,505
Total					9,206	35,941

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	58.600	-1.025	58.900	58.550	1,595	5,125
Mar	58.850	-0.800	58.950	58.800	231	958
May	59.875	-0.725	60.700	59.850	60	475
Jul	01.250	-0.450	61.850	60.500	47	535
Aug	58.450	-0.450	59.500	58.500	30	182
Total					2,766	7,281

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jan	Mar	Jan	Mar
1600	64	98	5	24
1700	9	43	50	68
1800	-	15	141	138
■ COPPER (Grade A) LME	Jan	Mar	Jan	Mar
2700	152	79	4	85
2800	72	43	24	157
2900	24	-	78	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1500	N/A	-	-	-
1550	N/A	-	-	-
1600	N/A	-	-	-
■ COCOA LCE	Mar	May	Mar	May
950	-	121	-	-
975	-	101	-	-
1000	-	83	-	-
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1650	-	-	-	6
1700	87	66	2	17
1750	-	37	-	34

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$17.06-7.16w	+0.150
Brent Blend (dated)	$17.54-7.86	-0.020
Brent Blend (Jan)	$17.71-7.73	+0.020
W.T.I. (1pm est)	$18.90-8.81w	+0.035

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$170-172	+2
Gas Oil	$176-177	+4
Heavy Fuel Oil	$103-105	
Naphtha	$160-162	+0.5
Jet fuel	$194-196	+1.5
Diesel	$177-178	+2

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■ OTHER

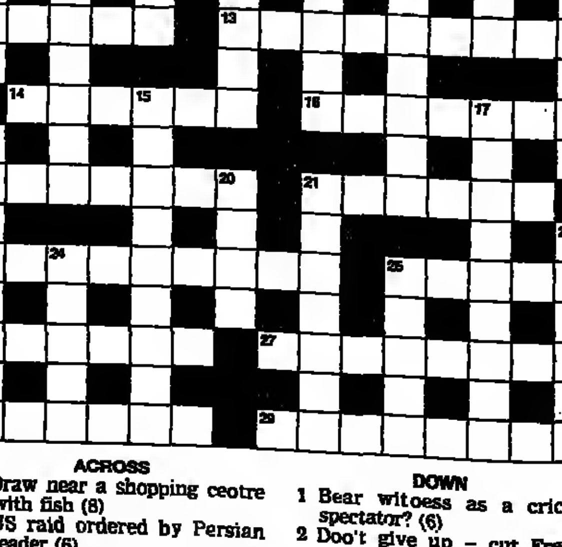
Gold (per troy oz)♣	$395.50	-0.20
Silver (per troy oz)♣	525.5c	
Platinum (per troy oz.)	$418.60	+3.60
Palladium (per troy oz.)	$133.75	+1.50
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.80m	
Tin (New York)	303.5c	
Cattle (live weight)†	117.53	-4.84
Sheep (live weight)†♠	118.99	-0.34
Pigs (live weight)†	105.86	+6.63
Lon. day sugar (raw)	$313.3	+3.8
Lon. day sugar (wte)	$366.0	+1.2
Barley (Eng. feed)	£118.25	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jan)¶	115.00p	+1.00
Rubber (Feb)¶	115.00p	+1.00
Rubber (KL RSS No1)	428.0m	+6.0
Coconut Oil (Phil)§	$715.0y	+7.5
Palm Oil (Malay.)§	$590.0z	+2.5
Copra (Phil)§	460.0y	-7.0
Soyabeans (US)	209.0u	+2.0
Cotton Outlook'A' index	86.75c	
Wooltops (64s Super)	432p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.¶ w Jan. y Dec/Jan. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,942 Set by CINCINNUS



ACROSS

1 Draw near a shopping ceotre with fish (8)
5 US raid ordered by Persian leader (6)
9 A soothsayer exhausts ooe, as you see (8)
10 Misrepresent key doctrine (6)
12 Exhausted writer found in street .... (5)
13 .... a writer, in sooth, without a vehicle (9)
14 Knowledge displayed by boy about a town in Cumbria (6)
16 Wine and cheese brought back by Gershwin? (7)
19 Exceed in public work (7)
21 Roman poet making half-hour go quickly (6)
23 Trapped spirit may be beaten (5-4)
25 Goods carried about on Jason's ship (5)
26 A shortage of growing fruit (6)
27 Take back meal prepared for American picnic party (8)
28 Head of goosander breaking East Lake surface .... (6)
29 .... migratory merganser quitting North Lake (8)

DOWN

1 Bear witoess as a cricket spectator? (6)
2 Doo't give up – cut French governor out (9)
3 Beginning stonework (5)
4 Fashion designer going round central part of church (7)
6 Roman law in new era and, in general, in ancient times (9)
7 Fool turning to dot a couple of I's (5)
8 Flannel freqnently taken aboard vessel by pensioner (4-4)
11 Stuff to prepare for examination (4)
16 Being indecisive, I'd return on Wagner's cycle .... (9)
17 .... personified in vehicla by neat composer (9)
18 Explain how to make prisoners honest? (8)
20 Land of Hope, Ruritania? (4)
21 Lower end of Hull jutting into river (7)
22 Religious leader, you found, is a sailor-man (6)
24 A team apart (5)
25 A French writer has to add up to a hundred (5)

Solution to Saturday's prize puzzle on Saturday December 23.
Solution to yesterday's prize puzzle on Wednesday December 27.

هكذا من الاصل

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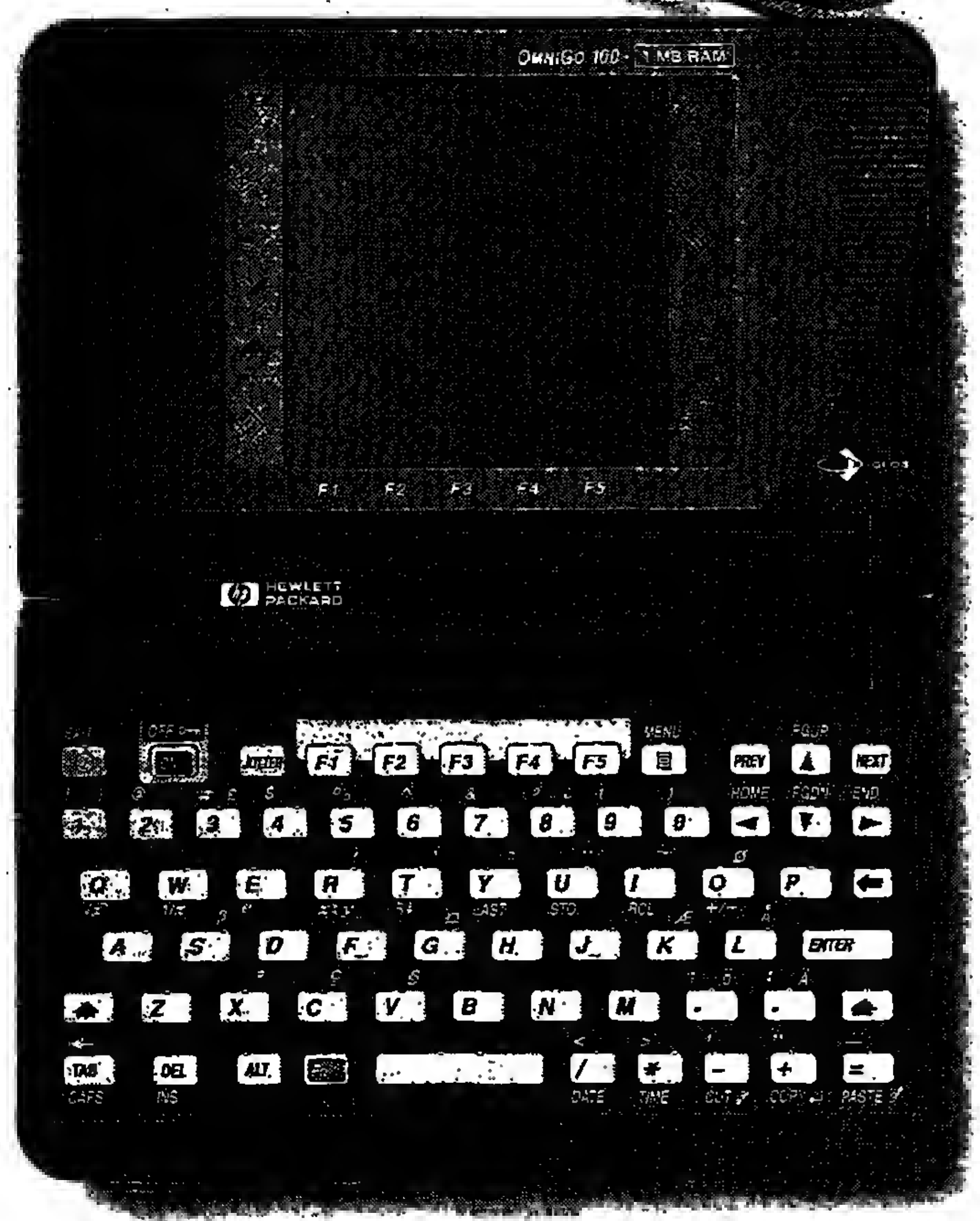

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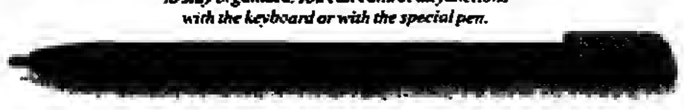

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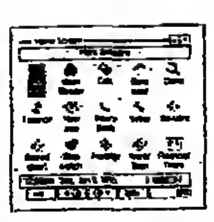

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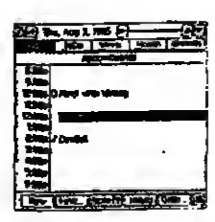

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INTERNATIONAL CAPITAL MARKETS

French prices fall on news of strike talks

By Richard Lapper in London and Lisa Bransten in New York

Developments in France, where industrial unrest is now well into its third week, provided the main focus of interest in the international bond markets yesterday, with volume in most other markets extremely thin ahead of a string of central bank meetings in the next two weeks.

Prices rose gently in the US, Germany and the UK, but fell back in France. Mr Kirit Shah, economist at First Chicago, said profit-taking had held back the potential for further gains and that the markets were looking for "bigger cues from RPI and US inflation data", as well as from the Bundesbank meeting on Thursday and FOMC meeting next week.

■ In France, the markets fell in early trading in the wake of news of the meeting between Mr Alain Juppé, the prime minister, and trades union leaders.

The December notional 10-year future fell to a day's low of 119.72, while December Pibor also fell, partially reflecting currency weakness.

The markets recovered some ground later in the day, with the December 10-year contracts settling at 120.16, down 0.28, and the same month's Pibor at 94.05, down 0.23. On Matif, 130,136 10-year contracts were exchanged.

GOVERNMENT BONDS

In the cash market yield spreads of 10-year OATs over German bunds, which last week narrowed by 12 basis points to 68 points, widened by 4 points to 72 points.

Ms Alison Cottrell, international economist at PaineWebber, said early fears of a government climbdown gave way to a realisation that Mr Juppé had been "careful not to jeopardise the 1996 budget numbers".

Mr Tony Norfield, treasury economist at ABN Amro, said that although Juppé had made some concessions "the bond market is not taking this negatively, since it would allow other cost-cutting measures to proceed."

The market is likely to remain extremely nervous, however, with volatility implied by the price of options on the December Pibor contract still more than 75 per cent, according to traders.

■ In the UK, the publication of the November production price index showed a rise of 0.2 per cent month-on-month on the output measure, with a fall of 0.1 per cent on the input measure, and provided further evidence of a fall in inflationary pressures.

The data propelled gilts to new highs, with the March long gilt contract touching 110$\frac{28}{32}$ before drifting back to settle at 110$\frac{5}{16}$, up $\frac{5}{32}$ on the day.

Volume remained thin on Liffe, however, ahead of tomorrow's meeting between Mr Eddie George, the governor of the Bank of England, and Mr Kenneth Clarke, the chancellor, with only 23,483 contracts exchanged.

March short sterling settled at 93.80, down 0.01 on the day, factoring in a half percentage point cut in interest rates over the next four months.

■ Swedish bond prices fell, largely as a result of weakness in the krona. Yields of 10-year bonds over Germany widened by 17 basis points to close at 256 points.

■ US Treasury prices edged higher in quiet trading early yesterday as traders prepared for a wave of economic data to be released later in the week.

Near midday, the 30-year Treasury was up $\frac{1}{32}$ at 111$\frac{1}{16}$ to yield 6.045 per cent. At the short end of the maturity spectrum the two-year note was also $\frac{1}{32}$ higher at 100, yielding 5.357 per cent.

The yield curve that maps the spread between two-year and 30-year bonds steepened as debate continued on Wall Street about whether the Federal Reserve would lower interest rates at next week's meeting of its Open Market Committee. In early afternoon trading, the spread had steepened by 3 basis points to 69 basis points.

Jobs figures released on Friday were weaker than many had expected, but analysts were uncertain whether the Fed would cut rates before the president and Congress had agreed to a deficit-cutting budget package.

There were no new economic figures out yesterday, so traders were waiting for data on the producer and consumer prices due today and Thursday, and on retail sales to be released tomorrow.

Bonds were not able to hold on to gains made overnight in Asian and European trading as the dollar lost ground against the yen and the D-Mark in early trading. The US currency was changing hands at Y101.05 and DM1.4437 compared with Y101.25 and DM1.4475 late on Friday.

Lithuania makes international debut in dollars

By Conner Middelmann

The Republic of Lithuania yesterday made its international bond market debut, issuing $60m of 10 per cent, two-year bonds via Nomura International.

INTERNATIONAL BONDS

"Our entry into the international capital markets provides valuable diversification of Lithuania's funding sources and confirms international confidence in the progress of Lithuania's rapid economic transformation," said Algimantas Krizinauskas, deputy minister of finance.

With the Litas, the national currency, pegged to the US dollar, the country's decision to tap the dollar sector seemed a natural one. Moreover, "the dollar market will provide them with the best opportunity to establish the name of Lithuania among a wide range of investors," said one banker.

At the re-offer price of 99.90, the bonds yield 444.8 basis points over the corresponding US Treasury note. The proceeds will be used by Lithuania for general financing purposes.

The deal was said to have been heavily pre-marketed ahead of launch, and was reported to have met a good response, especially from emerging-market fund managers in the US.

LG Semicon, a South Korean semiconductor maker, issued $100m of 6.375 per cent five-year bonds yielding 80 basis points over the US benchmark at the 99.68 re-offer price. The deal was also led by Nomura, which reported a positive response from fund managers in Asia and Europe, especially Germany.

The Republic of Colombia issued Y15bn of 3 per cent five-year bonds via Merrill Lynch and Kokusai Europe. Yielding about 100 basis points over yen Libor, the bonds were considerably more tightly priced than Colombia's recent D-Mark offering priced at around 170 basis points over Libor.

However, like other issuers in recent months, Colombia was able to exploit Japanese retail investors' hunger for assets that offer a significant yield pick-up over domestic products. "Japanese retail investors don't look at comparative value – they just look for higher yields," said one dealer.

Crédit Local de France issued FFr5bn of four-year bonds via CDC and Société Générale yielding 20.5 basis points over the corresponding French government bond.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
LG Semicon Co.	100	6.375	99.68R	Dec.2000	0.25R	+80(5¾%-00)	Nomura International
Republic of Lithuania(a)	90	10.00	99.90R	Dec.1997	1.00R	+445(5¾%-97)	Nomura International
YEN							
Republic of Colombia(b)♦	15bn	3.00#	100.00	Dec.2000	0.80	-	Merrill Lynch
FRENCH FRANCS							
Crédit Local de France	5bn	5.625	99.49R	Jan.1999	0.1875R	+20½(5¾%-99)	CDC /Société Générale

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ♦Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon. b) Long last coupon.

Trading link joint venture for Nordic derivatives

By Conner Middelmann

Swedish and Norwegian equity derivatives are soon to become available on an integrated trading and clearing system.

The Oslo Stock Exchange, the Norwegian Futures and Options Clearing House (NOS), Sweden's equity derivatives exchange OM Stockholm and its London offshoot OMLX have agreed to set up Linked Exchanges and Clearing (LEC), which is designed to increase exposure for each of the derivatives markets.

The exchanges hope the LEC, which is planned to start trading next autumn, will lead to greater liquidity for the entire product range, though Norway's market is likely to benefit especially.

"We expect to increase liquidity once we establish links to brokers in London and Stockholm," said Mr Nils Vogt, head of market surveillance at the Oslo Stock Exchange. Moreover, "we will get a more efficient trading system", he said.

Currently, participants wanting to trade in Norwegian options have to call the stock exchange, where staff match buy and sell orders.

In future, anyone able to trade on OM Stockholm and OMLX will have access to Norway's six equity options and futures on the OBX equity index via the OM's electronic trading system. Norwegian participants will have access to Swedish equity derivatives, 27 equity options and futures as well as options and futures on the OMX stock index.

Average daily turnover on the Norwegian options market is currently 6,000 contracts, and the joint venture parties are hoping LEC will increase that volume. In October, average daily volume on OM was around 130,000 contracts.

On-shore loan by foreign banks for Vietnam Brewery

By Jeremy Grant in Ho Chi Minh City and Conner Middelmann in London

Banque Francaise du Commerce Exterieur (BFCE), the French bank, signed a $32m, three-year syndicated loan on Friday with Vietnam Brewary, a joint venture between Dutch brewer Heineken, Singapore-listed beverage company Asia Pacific Breweries and Industrial Foodstuffs Company of Ho Chi Minh City.

SYNDICATED LOANS

The loan, co-arranged and lead-managed by the Vietnamese branches of Bank of America, ABN-Amro Bank of the Netherlands and Malayan Banking, is the first facility granted entirely on-shore by foreign banks, reflecting growing confidence in the earnings performance of selected foreign joint ventures, said BFCE Vietnam general manager Mr Jean-Claude Guillemot.

Vietnam Brewery would use the funds to expand production from 50m litres to 150m litres of beer by the end of 1996.

Since foreign banks first received full operating licences in Vietnam in 1992, they have been cautious about lending beyond 12 months due to concerns about the country's sovereign credit risk and the difficulty of securing land and property as collateral. Vietnam still owes its commercial creditors $800m.

Mr Guillemot said bankers would be more willing to lend if the central bank gave foreign joint ventures longer guarantees of their ability to convert local currency earnings into foreign exchange. Without such guarantees, bankers can not be confident about future hard currency earnings.

"Although the State [central] Bank is pushing foreign banks to lend medium-term, they don't give guarantees for longer than a year," said Mr Guillemot.

● Elsewhere, the financing of Hungary's M5 motorway has been completed, resulting in the largest non-sovereign syndicated loan in Hungary.

The European Bank for Reconstruction and Development, Commerzbank and ING Bank, the arrangers of the loan, raised a FFr1.3bn facility for AKA Alföld Koncessziós Autópalyá, a privately owned concession company set up to build, operate and maintain the M5 toll motorway, which will run from Budapest to Hungary's southern border.

Meanwhile, a FFr13.7bn multi-currency revolving credit facility for Crown Cork & Seal, the US packaging company which in May announced plans to merge with Europe's CarnaudMetalBox, has been signed after being over-subscribed by about 20 per cent.

The loan was arranged by Chemical Bank, Credit Suisse and Société Générale. The deal is thought to be the biggest acquisition financing in the French market this year.

The facility is for 364 days, with an option for the borrower to extend it by another year. The interest rate is a margin of 19.5 basis points over Libor, increasing by five basis points to 24.5 basis points at the end of six months.

Although it was not very generously priced, the facility met a strong response from banks keen to develop their relationship with a US company that is increasing its global activities.

"Banks expect to see big business opportunities to come out of this, especially in Europe," said one banker.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	94.7700	-0.250	8.30	8.08	8.74
Austria		6.500	11/05	99.5000	-0.300	6.57	6.55	6.81
Belgium		6.500	03/05	98.8100	-0.180	6.70	6.69	6.96
Canada *		8.750	12/05	109.7100	-0.970	7.36	7.11	7.56
Denmark		8.000	03/06	104.7000	-0.220	7.32	7.29	7.77
France	BTAN	7.750	04/00	106.4500	-0.300	6.00	6.24	6.47
	OAT	7.750	10/05	106.5000	-0.230	6.83	6.99	7.29
Germany Bund		6.500	10/05	102.8800	-0.260	6.10	6.09	6.39
Ireland		6.250	10/04	92.3000	-0.350	7.46	7.49	7.98
Italy		10.500	09/05	97.6300	+0.260	10.90†	11.12	11.56
Japan	No 129	6.400	03/00	120.6220	+0.130	1.29	1.34	1.54
	No 174	4.600	09/04	114.2650	+0.030	2.60	2.66	2.78
Netherlands		6.750	11/05	104.5000	-0.180	6.13	6.11	6.45
Portugal		11.875	02/05	109.5200	-0.040	10.21	10.27	11.21
Spain		10.150	01/06	98.9700	+0.230	10.11	10.17	10.84
Sweden		6.000	02/05	82.8140	-0.800	8.81	8.66	9.10
UK Gilts		8.000	12/00	104-23	-8/32	6.86	6.86	7.34
		8.500	12/05	107-09	-12/32	7.45	7.52	7.89
		9.000	10/08	111-06	-14/32	7.62	7.68	8.02
US Treasury *		5.875	11/05	101-06	-8/32	5.72	5.64	5.95
		6.875	08/25	111-11	-5/32	6.05	6.03	6.27
ECU (French Govt)		7.500	04/05	102.5500	-0.150	7.11	7.20	7.68

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.67	Two year	5.37
Prime rate	8¾	Two month	5.58	Three year	5.40
Broker loan rate	7½	Three month	5.50	Five year	5.54
Fed.funds	5¾	Six month	5.44	10-year	5.71
Fed.funds at intervention	-	One year	5.35	30-year	6.04

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	120.06	120.16	-0.28	120.20	119.72	130,136	75,245
Mar	119.28	119.42	-0.22	119.44	119.02	34,085	53,632
Jun	119.54	119.54	-0.22	119.54	119.54	2	3,349

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
116	-	3.67	-	0.04	0.36	-
117	-	-	-	0.07	0.49	-
118	-	2.11	-	0.18	0.74	-
119	0.84	1.48	2.11	0.43	1.12	1.50
120	0.36	0.97	-	0.95	-	-

Est. vol. total, Calls 10,399 Puts 21,303. Previous day's open int., Calls 137,870 Puts 120,229.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.73	98.69	+0.11	98.81	98.65	54777	206272
Jun	98.09	98.07	+0.11	98.09	98.09	1	188

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9850	0.43	0.81	1.05	1.20	0.24	0.62	0.86	1.63
9900	0.19	0.56	0.79	0.98	0.50	0.87	1.10	1.91
9950	0.07	0.37	0.59	0.80	0.88	1.18	1.40	2.23

Est. vol. total, Calls 6270 Puts 10150. Previous day's open int., Calls 182556 Puts 154286

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106.32	106.07	-0.26	106.38	105.90	23613	47329
Jun		105.67	-0.26			0	721

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10600	1.79	2.46	1.72	2.79
10650	1.55	2.24	1.98	3.07
10700	1.34	2.02	2.27	3.35

Est. vol. total, Calls 3973 Puts 2567. Previous day's open int., Calls 32884 Puts 26537

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	92.95	93.22	+0.14	93.28	92.95	28,936	33,259
Mar	93.06	93.13	+0.08	93.19	92.75	4,261	12,679

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-29	110-28	+0-05	111-03	110-26	2168	33016
Mar	110-11	110-10	+0-05	110-19	110-07	23658	118181

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
110	0-51	1-25	1-47	2-12	0-31	1-05	1-27	2-28
111	0-21	0-58	1-15	1-52	1-01	1-38	1-60	3-04
112	0-07	0-35	0-55	1-28	1-51	2-15	2-35	3-44

Est. vol. total, Calls 1275 Puts 2415. Previous day's open int., Calls 27115 Puts 22563

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.46	90.60	-0.12	90.60	90.26	1,939	9,331
Mar	89.40	89.52	-0.12	89.50	89.18	1,047	1,642

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	120-11	120-11	-	120-21	120-11	34,204	98,907
Mar	120-04	120-03	-	120-14	120-03	488,483	327,862
Jun	119-27	119-22	-	120-00	119-24	1,715	15,645

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	122.10			122.25	122.10	1587	0
Jun						0	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Dec 11	Day's change %	Fri Dec 8	Accrued interest	xd adj. ytd		Low coupon yield Dec 11	Dec 8	Yr. ago	Medium coupon yield Dec 11	Dec 8	Yr. ago	High coupon yield Dec 11	Dec 8	Yr. ago
1 Up to 5 years (23)	123.25	-	123.40	1.94	10.23	5 yrs	6.92	6.92	8.50	6.94	6.92	8.50	7.02	7.01	8.69
2 5-15 years (21)	149.91	-0.03	150.32	1.50	12.20	15 yrs	7.62	7.63	8.38	7.67	7.68	8.51	7.74	7.75	8.73
3 Over 15 years (8)	167.69	+0.11	167.51	2.00	13.13	20 yrs	7.70	7.71	8.34	7.73	7.74	8.51	7.79	7.79	8.65
4 Irredeemables (6)	192.62	-0.31	193.22	1.43	13.71	Irred.†	7.81	7.79							
5 All stocks (58)	145.00	+0.03	145.23	1.76	11.76										

Index-linked	Mon Dec 11	Day's change %	Fri Dec 8	Accrued interest	xd adj. ytd		Inflation 5% Dec 11	Dec 8	Yr. ago	Inflation 10% Dec 11	Dec 8	Yr. ago
6 Up to 5 years (1)	185.20	+0.01	185.18	1.12	8.37	Up to 5 yrs	2.80	2.80	4.11	1.68	1.68	2.96
7 Over 5 years (11)	189.52	-	189.79	1.20	4.73	Over 5 yrs	3.51	3.51	3.89	3.32	3.32	3.71
8 All stocks (12)	189.51	-	189.78	1.20	4.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 11	Dec 8	Dec 7	Dec 6	Dec 5	Yr ago	High*	Low*
Govt. Secs. (UK)	95.86	96.15	96.03	96.22	95.69	91.89	96.22	90.22
Fixed Interest	115.01	115.04	114.81	114.49	114.06	109.75	115.04	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4
Gilt Edged bargains	80.2	91.8	112.1	108.1	86.1
5-day average	95.9	100.7	104.2	105.7	106.0

UK GILTS PRICES

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98¾	99½	-⅛	5.69
Abbey Natl Treasury 6½ 03	1000	101¾	102	-⅛	6.19
ABN Amro Bank 7¼ 05	1000	105¼	105½	-⅛	6.46
Sweden 8 97	2500	106⅝	107		4.15
United Kingdom 7¼ 97	5500	105½	105½		4.02
Volkswagen Intl Fin 7 03	1000	104¼	104½	-⅛	6.29
World Bank 0 15	2000	28½	28⅞	+⅛	6.47
Abbey Natl Treasury 8 00 £	1000	101⅛	101⅜		7.78
Alliance Leics 11¾ 97 £	100	106⅛	106½		6.61
British Land 8⅞ 23 £	150	95⅜	96⅛	+⅛	9.56
Denmark 6¾ 98 £	800	99⅞	100¼		8.78

مكذا من الاصل

CURRENCIES AND MONEY

MARKETS REPORT

Franc slips as market worries about concessions

By Philip Gawith

The French franc lost ground yesterday amid market concerns that the government was making concessions to striking workers which would jeopardise France's prospects of meeting the Maastricht convergence criteria.

Most of the selling took place during Asian trading as the franc fell from a London close last Friday of FFr3.44 against the D-Mark to an intra-day low of FFr3.4595 in Europe. It later recovered to close in London at FFr3.45 as traders concluded that the concessions the government may make are less far-reaching than initially thought.

Analysts were not inclined to place too much significance in market moves which took place amid very thin volumes. The market has a distinct Christmas feel to it, with little evidence of any discretionary trading taking place: only those who had to trade appeared to be in the market.

Exchange rate were, in the words of one observer, "well confined within familiar ranges."

The dollar had a fairly steady day, finishing at DM1.4442, from DM1.448. Against the yen it closed at Y101.02, from Y101.25.

In Europe the biggest move came from the Swedish krona, which continued the retreat seen at the end of last week, finishing at SKr 4.673 against the D-Mark, from SKr4.598. The lira also fell back through the L1,100 barrier, closing at L1,104, from L1,097.

Sterling made up ground against both the D-Mark and dollar, finishing at DM2.2149, from DM2.2116, and $1.5337 from $1.5274.

■ Pound in New York

Dec 11	—Latest—	— Prev. close —
£ spot	1.5350	1.5330
1 mth	1.5341	1.5321
3 mth	1.5325	1.5304
1 yr	1.5238	1.5213

■ Yesterday was a day more interesting for the utterances of officialdom than for any movements in market prices.

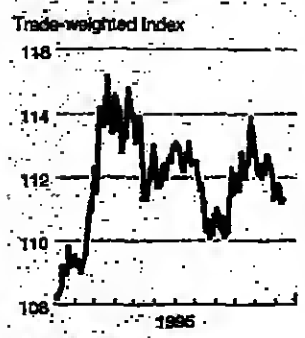
Leading the way on a familiar, if temporarily forgotten, theme, was Mr Larry Summers, the US deputy treasury secretary. He told the Swiss-American chamber of commerce in Zurich that the US preferred a stronger dollar because it meant higher real wages for US workers, lower inflation and also maintained the dollar's role as the world's leading reserve currency.

"The US remains prepared to co-operate with other countries in exchange markets as we have in the past," he said.

Also striking a familiar theme about the value of the national currency was a statement from the Swiss cabinet and Swiss National Bank agreeing that the franc was too strong. The government statement said that "the reasons lie above all abroad," with Mr Markus Lusser, the SNB president, saying that he would use any manoeuvring room that the situation in Switzerland offered him.

D-Mark

Trade-weighted Index



Source: FT Extel

The most recent bout of Swiss franc strength was the result of an outflow of funds from Germany from investors who fear that the D-Mark will be exchanged for an inferior single currency under European monetary union.

■ Market sentiment appears to be moving away from a pre-Christmas rate cut from either the Bundesbank this Thursday, or the US Federal Reserve next Tuesday.

US commentators note that it would be unprecedented for the Fed to cut rates while the economy was at full employment, while recent comments from some Fed officials indicated a reluctance to lower interest rates while the battle over the Federal budget remains unresolved.

On this front, there was a positive development in the form of the White House agreeing to use the budgetary forecasts prepared by the Congressional Budget Office. This had previously been a sticking point between the White House and its Republican opponents in Congress.

Mr Joe Prendergast, currency strategist at Merrill Lynch in London, said the budget was a bigger focus for markets than monetary policy. "A lot of Fed interest rate risk and Bundesbank interest rate risk is already in the price," he said.

"US budget developments are the only factor that might give us some significant direction," said Mr Prendergast.

He added that even if the Fed and/or Bundesbank did cut rates this year, the market would probably be disinclined to take any large positions, given the time of year.

Mr Peter Farley, currency strategist at MMS in London, said developments on the French franc were being affected by the market waiting to see what the Bundesbank does. He said a failure to cut rates could leave the franc vulnerable.

■ OTHER CURRENCIES

Dec 11	£	$
Czech Rp	40.7233 - 40.7652	26.5610 - 26.5710
Hungary	208.239 - 208.452	135.820 - 135.570
Iran	4602.60 - 4599.80	3000.00 - 3000.00
Kuwait	0.4595 - 0.4601	0.2997 - 0.2999
Poland	3.8744 - 3.8800	2.5270 - 2.5290
Russia	7085.67 - 7095.65	4625.00 - 4628.00
U.A.E	5.6305 - 5.6350	3.6724 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Dec 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. index
Europe													
Austria	(Sch)	15.5830	+0.0231	736 - 924	15.6081	15.5498	15.5395	3.3	15.4855	2.2	-	-	108.7
Belgium	(BFr)	45.5202	+0.0433	747 - 657	45.6190	45.3860	45.4052	3.0	45.2352	2.5	44.5102	2.2	109.1
Denmark	(DKr)	8.5800	-0.0239	756 - 843	8.5975	8.5555	8.5884	1.6	8.551	1.4	8.4925	1.0	100.8
Finland	(FM)	6.6651	-0.0501	572 - 730	6.6730	6.6190	6.6607	0.8	6.6528	0.7	-	-	87.6
France	(FFr)	7.6406	+0.0315	373 - 438	7.6604	7.6339	7.6415	-0.1	7.6298	0.6	7.5881	0.7	109.8
Germany	(DM)	2.2149	+0.0033	136 - 162	2.2196	2.2099	2.2101	2.6	2.2018	2.4	2.1619	2.4	111.4
Greece	(Dr)	365.028	+1.548	810 - 247	367.854	361.811	-	-	-	-	-	-	68.6
Ireland	(I£)	0.9669	-	660 - 678	0.9685	0.9656	0.9659	1.2	0.9649	0.9	0.9613	0.6	97.4
Italy	(L)	2446.79	+19.75	484 - 874	2454.89	2434.25	2455.64	-4.3	2471.84	-4.1	2546.24	-4.1	71.2
Luxembourg	(LFr)	45.5202	+0.0433	747 - 657	45.6190	45.3860	45.4052	3.0	45.2352	2.5	44.5102	2.2	108.1
Netherlands	(Fl)	2.4799	+0.0045	783 - 814	2.4850	2.4747	2.4734	3.2	2.4636	2.7	2.4199	2.4	109.2
Norway	(NKr)	9.7817	-0.0555	769 - 864	9.7998	9.7226	9.7719	1.2	9.7501	1.3	9.6689	1.2	98.2
Portugal	(Es)	232.708	+0.398	556 - 861	233.133	231.711	233.133	-2.2	234.098	-2.3	-	-	94.9
Spain	(Pta)	188.753	+0.171	645 - 860	189.149	188.430	189.236	-3.1	190.183	-3.0	194.405	-3.0	81.6
Sweden	(SKr)	10.3476	+0.1812	365 - 586	10.3824	10.1430	10.3495	-0.2	10.3531	-0.2	10.3683	-0.2	86.1
Switzerland	(SFr)	1.7927	-0.0034	917 - 936	1.7962	1.7865	1.7859	4.5	1.774	4.2	1.7206	4.0	115.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.8
Ecu	-	1.2052	+0.0053	045 - 058	1.2082	1.1996	1.2042	1.0	1.2027	0.8	1.1953	0.8	-
SDR†	-	1.031700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5336	+0.0063	330 - 342	1.5388	1.5315	-	-	-	-	-	-	-
Brazil	(R$)	1.4821	+0.0069	814 - 828	1.4849	1.4796	-	-	-	-	-	-	-
Canada	(C$)	2.1165	-0.0181	154 - 175	2.1222	2.1082	2.115	0.6	2.1138	0.5	2.1098	0.3	83.0
Mexico	(New Peso)	11.9015	-0.0589	746 - 284	11.9284	11.8691	-	-	-	-	-	-	-
USA	($)	1.5337	+0.0063	332 - 342	1.5368	1.5315	1.5328	0.7	1.5312	0.6	1.5227	0.7	94.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0831	+0.0094	817 - 845	2.0855	2.0744	2.0846	-0.9	2.0884	-1.0	2.1048	-1.0	84.9
Hong Kong	(HK$)	11.8617	-0.0481	570 - 663	11.8846	11.8454	11.8546	0.7	11.8488	0.5	11.8201	0.4	-
India	(Rs)	53.4150	+0.1028	784 - 515	53.5130	53.3750	-	-	-	-	-	-	-
Israel	(Shk)	4.7779	-0.0446	724 - 833	4.7833	4.7451	-	-	-	-	-	-	-
Japan	(Y)	154.934	+0.29	823 - 046	155.250	154.630	154.039	6.9	152.599	6.0	146.294	5.6	143.2
Malaysia	(M$)	3.8928	+0.0157	905 - 946	3.8998	3.8873	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3729	+0.0043	708 - 749	2.3775	2.3708	2.3758	-1.5	2.3828	-1.7	2.407	-1.4	100.3
Philippines	(Peso)	40.1983	+0.1889	545 - 421	40.2421	40.1545	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7523	+0.0236	501 - 545	5.7638	5.7447	-	-	-	-	-	-	-
Singapore	(S$)	2.1679	+0.0085	664 - 694	2.1718	2.1664	-	-	-	-	-	-	-
South Africa	(R)	5.6252	+0.023	222 - 282	5.6354	5.6189	-	-	-	-	-	-	-
South Korea	(Won)	1179.95	+4.42	849 - 041	1182.26	1178.34	-	-	-	-	-	-	-
Taiwan	(T$)	41.8700	+0.781	487 - 913	41.9470	41.8207	-	-	-	-	-	-	-
Thailand	(Bt)	38.5419	+0.1214	140 - 698	38.6200	38.4970	-	-	-	-	-	-	-

† Rates for Dec 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J P Morgan Index
Europe													
Austria	(Sch)	10.1604	-0.0271	576 - 632	10.1770	10.1390	10.1449	1.6	10.1189	1.8	10.0154	1.4	105.3
Belgium	(BFr)	29.6800	-0.095	600 - 000	29.7200	29.6350	29.628	2.1	29.54	1.9	29.235	1.5	108.5
Denmark	(DKr)	5.5943	-0.0076	933 - 953	5.5972	5.5774	5.5905	0.6	5.5843	0.7	5.6018	-0.1	108.8
Finland	(FM)	4.3458	+0.0148	420 - 485	4.3510	4.3200	4.3408	1.4	4.3321	1.3	4.3033	1.0	86.8
France	(FFr)	4.9816	-0.0001	813 - 823	4.9970	4.9730	4.9853	-0.8	4.9928	-0.9	5.0043	-0.5	109.4
Germany	(DM)	1.4442	-0.0036	438 - 445	1.4486	1.4410	1.4419	1.9	1.4377	1.8	1.4202	1.7	110.5
Greece	(Dr)	238.005	+0.025	940 - 070	239.280	236.100	239.73	-8.7	242.93	-8.3	256.405	-7.7	66.0
Ireland	(I£)	1.5862	+0.0064	852 - 872	1.5891	1.5840	1.5867	-0.3	1.5871	-0.2	1.5832	0.2	-
Italy	(L)	1595.35	+8.3	460 - 610	1598.00	1588.00	1602.2	-5.2	1614.25	-4.7	1672.35	-4.8	70.9
Luxembourg	(LFr)	29.6800	-0.095	600 - 000	29.7200	29.6350	29.628	2.1	29.54	1.9	29.235	1.5	108.5
Netherlands	(Fl)	1.6168	-0.0038	164 - 174	1.6199	1.6136	1.6138	2.3	1.6087	2.0	1.5894	1.7	108.3
Norway	(NKr)	6.3778	+0.0098	768 - 788	6.3830	6.3451	6.3755	0.4	6.3673	0.7	6.3503	0.4	97.4
Portugal	(Es)	151.730	-0.37	680 - 780	151.890	151.050	152.105	-3.0	152.875	-3.0	156.48	-3.1	94.8
Spain	(Pta)	123.070	-0.4	040 - 100	123.250	122.880	123.465	-3.9	124.2	-3.7	127.63	-3.8	81.3
Sweden	(SKr)	6.7468	+0.0806	416 - 518	6.7600	6.6166	6.7639	-3.0	6.7933	-2.8	6.9308	-2.7	86.8
Switzerland	(SFr)	1.1689	-0.0026	686 - 691	1.1695	1.1648	1.1653	3.7	1.1588	3.5	1.1302	3.3	114.8
UK	(£)	1.5337	+0.0069	332 - 342	1.5368	1.5315	1.5328	0.7	1.5295	1.1	1.5227	0.7	82.0
Ecu	-	1.2727	-0.0003	724 - 729	1.2771	1.2712	1.273	-0.3	1.2733	-0.2	1.274	-0.1	-
SDR†	-	0.87420	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9664	+0.0001	662 - 665	0.9685	0.9663	-	-	-	-	-	-	-
Canada	(C$)	1.3800	+0.0081	797 - 802	1.3820	1.3780	1.38	0.0	1.3804	-0.1	1.3854	-0.4	82.9
Mexico	(New Peso)	7.7600	+0.005	450 - 750	7.7750	7.7300	7.7622	-0.3	7.7654	-0.3	7.7703	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3581	+0.0005	578 - 587	1.3587	1.3570	1.3601	-1.8	1.3638	-1.6	1.3823	-1.8	85.6
Hong Kong	(HK$)	7.7340	-	335 - 345	7.7345	7.7340	7.7347	-0.1	7.7365	-0.1	7.7635	-0.4	-
India	(Rs)	34.8275	-0.0775	150 - 400	34.9000	34.8150	34.9775	-5.2	35.2825	-5.2	36.7525	-5.5	-
Israel	(Shk)	3.1153	+0.0189	127 - 178	3.1178	3.0969	-	-	-	-	-	-	-
Japan	(Y)	101.020	-0.23	980 - 060	101.200	100.790	100.505	6.1	99.66	5.4	96.095	4.9	143.6
Malaysia	(M$)	2.5380	-0.0003	375 - 385	2.5385	2.5370	2.5389	-0.4	2.545	-1.1	2.5685	-1.2	-
New Zealand	(NZ$)	1.5470	-0.0036	463 - 480	1.5490	1.5489	1.5501	-2.4	1.5559	-2.3	1.5805	-2.2	-
Philippines	(Peso)	26.2100	+0.015	900 - 300	26.2300	26.1900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-0.0002	504 - 508	3.7508	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4135	-0.0016	130 - 140	1.4150	1.4130	1.41	3.0	1.404	2.7	1.3785	2.5	-
South Africa	(R)	3.6678	-0.0002	670 - 685	3.6685	3.6670	3.6858	-9.1	3.7488	-8.8	3.9888	-8.8	-
South Korea	(Won)	769.350	-0.3	300 - 400	769.800	769.300	772.35	-4.7	775.85	-3.4	794.35	-3.2	-
Taiwan	(T$)	27.3000	+0.003	950 - 050	27.3110	27.2950	27.32	-0.9	27.36	-0.9	-	-	-
Thailand	(Bt)	25.1300	-0.025	200 - 400	25.1400	25.1200	25.2287	-4.7	25.4325	-4.8	26.315	-4.7	-

† SDR rate per $ for Dec 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 8: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 11	Over night	One month	Three mths	Six mths	One year	Lomb inter.	Dis rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	[illegible]	4	[illegible]	8.00	3.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.70	-	6.10
week ago	[illegible]	[illegible]	[illegible]	[illegible]	6	4.80	-	6.10
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.51
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.51
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	2	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.20	5.32	5.31	5.28	-	-	-
week ago	-	5.20	5.34	5.31	5.26	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m) [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100% [illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100% [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100% [illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100% [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.86	16.79	4.866	2.124	5373	5.448	21.49	511.2	414.5	22.74	3.938	2.197	4.649	3.370	340.3	2.647
Denmark	(DKr)	53.05	10	8.906	2.582	1.127	2851	2.889	11.40	271.3	219.8	12.06	2.090	1.166	2.466	1.788	180.5	1.404
France	(FFr)	59.57	11.23	10	2.899	1.266	3201	3.244	12.80	304.6	247.0	13.55	2.347	1.309	2.769	2.008	202.7	1.577
Germany	(DM)	20.55	3.874	3.450	1	0.437	1104	1.119	4.418	105.1	85.19	4.673	0.809	0.451	0.955	0.693	69.93	0.544
Ireland	(I£)	47.07	8.873	7.902	2.291	1	2529	2.564	10.12	240.6	195.1	10.70	1.854	1.034	2.188	1.586	160.2	1.246
Italy	(L)	1.861	0.351	0.312	0.091	0.040	100.	0.101	0.400	9.513	7.715	0.423	0.073	0.041	0.087	0.063	6.333	0.049
Netherlands	(Fl)	18.36	3.461	3.082	0.894	0.390	986.7	1	3.948	93.87	76.12	4.175	0.723	0.403	0.854	0.619	62.48	0.486
Norway	(NKr)	46.53	8.771	7.811	2.264	0.989	2501	2.534	10	237.9	192.9	10.58	1.833	1.022	2.163	1.568	158.4	1.232
Portugal	(Es)	19.56	3.687	3.284	0.952	0.416	1051	1.066	4.204	100.	81.09	4.448	0.771	0.430	0.909	0.659	66.57	0.518
Spain	(Pta)	24.12	4.547	4.049	1.174	0.512	1296	1.314	5.184	123.3	100.	5.485	0.950	0.530	1.121	0.813	82.09	0.639
Sweden	(SKr)	43.98	8.290	7.383	2.140	0.934	2363	2.395	9.451	224.8	182.3	10	1.732	0.966	2.044	1.482	149.7	1.164
Switzerland	(SFr)	25.39	4.785	4.262	1.235	0.539	1364	1.383	5.456	129.8	105.2	5.772	1	0.558	1.180	0.856	86.39	0.672
UK	(£)	45.52	8.580	7.641	2.215	0.967	2446	2.479	9.782	232.7	188.7	10.35	1.793	1	2.116	1.534	154.9	1.205
Canada	(C$)	21.51	4.055	3.611	1.047	0.457	1156	1.172	4.623	110.0	89.18	4.891	0.847	0.473	1	0.725	73.20	0.569
US	($)	29.67	5.593	4.981	1.444	0.630	1595	1.616	6.377	151.7	123.0	6.747	1.169	0.652	1.379	1	101.0	0.786
Japan	(Y)	29.39	5.539	4.933	1.430	0.624	1579	1.600	6.315	150.2	121.8	6.682	1.158	0.646	1.366	0.990	100.	0.778
Ecu		37.75	7.120	6.341	1.838	0.802	2030	2.057	8.118	193.1	156.6	8.589	1.488	0.830	1.756	1.273	128.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6921	0.6931	+0.0021	0.6940	0.6921	30,354	59,049
Mar	0.6950	0.6960	+0.0020	0.6970	0.6948	10,235	19,703
Jun	-	-	-	0.6989	-	1,067	2,072

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9894	0.9912	+0.0029	0.9925	0.9902	16,119	44,080
Mar	1.0023	1.0048	+0.0031	1.0061	1.0037	6,692	27,680
Jun	1.0183	1.0183	+0.0038	1.0183	1.0183	38	823

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8572	0.8585	+0.0004	0.8581	0.8563	16,845	33,601
Mar	0.8636	0.8642	+0.0006	0.8656	0.8629	5,556	14,654
Jun	0.8725	0.8710	+0.0002	0.8725	0.8710	49	598

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5328	1.5366	+0.0042	1.5366	1.5320	16,425	44,714
Mar	1.5300	1.5336	+0.0038	1.5338	1.5292	11,090	16,647
Jun	-	-	-	-	-	8	18

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100% [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) [illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.08	0.38	0.58	0.07	0.08	0.18
9375	0.01	0.21	0.41	0.25	0.16	0.24
9400	0	0.10	0.27	0.49	0.30	0.35

Est. vol. total, Calls 3399 Puts 4458. Previous day's open int., Calls 171816 Puts 180140

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% [illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	*Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		501½	—	99	50¼	6.31	19.0	–
Cater Allen	♣tv	495xd	-6	525	418	141.8	8.6	7.2
Close Bros	♣v□	328	—	*340½	210¼	395.6	3.4	14.4
Gerrard & Nat	♣v	463xd	—	483	355	221.1	6.2	14.8
Hambros	v□	203xd	—	253	180	359.9	4.6	–
7½pc Cv Pf		[illegible]	—	112	94	123.7	9.6	–
Joseph (L)	♣tv	458xd	-½	489	353	24.3	5.1	25.6
King & Shaxson	♣v□	137½	+½	148	80	38.3	6.2	10.7
Rea Brothers	♣v	46	—	97	44	22.4	2.7	16.4
Schroders	♣tv□	1335	+2	*1478	906¼	2,015	1.3	19.0
N/V	tv	1140	—	*1120	823¼	501.8	1.8	16.2
Singer & Fried	♣tv□	105	-½	111	81	214.4	4.2	11.3
8½pc Cv Ln 09/14		£135¼	-¼	£137	[illegible]	41.9	0.3	–
Union	♣v□	103	-1	121	70	27.4	3.8	–
Wintrust	♣v	258	—	285	200	23.8	5.3	15.3

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

OIL EXPLORATION & PRODUCTION

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

AIM - Cont.

AMERICANS

CANADIANS

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

PHARMACEUTICALS - Cont.

PROPERTY

RETAILERS, GENERAL - Cont.

TOBACCO

TRANSPORT

WATER

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

AIM

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapÂ£m	Yld Gr's	P/E
Anglo Am Ind		£31¼	—	£34	£29	2,111	2.7	15.5
Barlow	‡	£9⅛	-⅛	£9⅛	£4⅞	1,801	1.7	ϕ
Gold Flds Prop R		154	-1	155	136	15.7	6.9	6.9
Nx Props		90	—	95	85	3.70	13.0	-
SASOL	♥	530	-3	640	435	3,180	2.6	-
SA Brews		£22⅞xd	+⅛	£22⅞	£12⅞	6,737	1.6	30.6
Standard Bank	□	£30⅝	-⅝	£31⅛	£20⅝	3,858	1.5	27.0
Tiger Oats		1180xd	—	1180	700	1,775	1.6	ϕ
Tongaat-Hulett	†	1100xd	+87	1185	638	1,802	1.8	20.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- \- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

[illegible]

Prices for dealing December 11

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Strategic Fund Ltd

[illegible]

Newport Investment Management

[illegible]

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Lazard Freres Asset Management (CI) Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

Apollo Investment Management Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

[illegible]

The Fiduciary Trust Global Fund

[illegible]

GT Asset Management (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

Apollo Fund Plc

[illegible]

Calpine Fund

[illegible]

Capital Vision Fund Plc

[illegible]

Chemical Ireland Fund Administration

[illegible]

Citi Investment Fund (Ireland)

[illegible]

Citizens Investment Trust Mngt Co

[illegible]

DIT Dresdner Global Strategies Fund

[illegible]

Daiwa Europe Fund Managers Ireland

[illegible]

Dragon Korea Fund Plc

[illegible]

Dynamic Pacific Portfolio Fund Plc

[illegible]

Egerton Capital European Fund Plc

[illegible]

Emerging Dynamic Fund Plc

[illegible]

Emerging Market Growth Fund Plc

[illegible]

F.I.T. Investment Trust Ltd (d)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

Foreign & Colonial Mngmt (Jersey) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (x)

[illegible]

DB Investment Management SA

[illegible]

Mercury Asset Management S.A.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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LONDON STOCK EXCHANGE

MARKET REPORT

Rate cut hopes and Wall Street lift equities

By Steve Thompson,
UK Stock Market Editor

What is expected to be an important week in the UK equity market commenced with a confident performance from the leaders yesterday.

Helped by another strong showing by Wall Street, plus a steady, if unspectacular, official debut by National Grid shares and modest gains by gilts, the market's top stocks finished just below the day's best levels.

The motivation behind yesterday's advance was the market's conviction that a series of international interest rate reductions could get under way later this week.

Mr Kenneth Clarke, the chancellor of the exchequer, meets Mr Eddie George, the governor of the Bank of England, on Wednesday morning to discuss monetary policy. The Bundesbank council meets on Thursday for the same reason and also to determine Germany's monetary targets for next year.

Next Tuesday, the US Federal Reserve's Open Market Committee meets to discuss monetary policy.

Dealers in London said the market was expecting moves in UK and German rates: "The feeling is very positive towards rate cuts; if they do not materialise, then we could be in for trouble," said the head trader at one London securities house.

He also pointed out that the expiry of the December index and options, due on Friday, would see the market squeezed higher.

At the close of a session mostly dominated by very heavy activity in National Grid stock, the FT-SE 100 was 22.1 up at 3,652.1, only 28.3 short of its all-time closing high and 31.5 below its intra-day peak.

The FT-SE Mid 250 index managed a more mundane performance, posting a final reading of 3,936.9 for a net gain of 3.7. The underperformance came in spite of a substantial list of big winners in the second-tier index. These included Inchcape, rallying strongly after its demotion from the FT-SE 100 which was accompanied by heavy selling by index tracking funds.

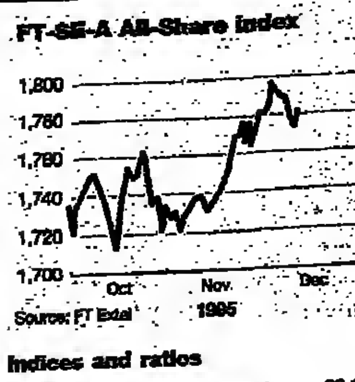
Package tours group Airtours climbed 6 per cent, with the market relieved that its preliminary numbers were no worse than had been expected. And Laporte was supported after the sell-off that accompanied last week's profits warning.

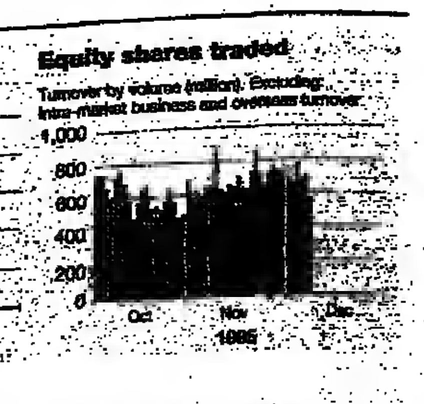
But the day's main action took place in National Grid, where last week's hints of book-building to place stock owned by Manweb and Norweb – now owned by Scottish Power and North West Water – were confirmed. Some 181m Grid shares were sold to institutions at 208p a share yesterday by Kleinwort Benson and UBS acting jointly. The operation was said to have gone very smoothly.

Another regional electricity company, rumoured to be Southern, was said to have sold a block of 25m Grid shares via a bought deal at 204¾p.

Turnover in equities jumped to 1.1bn shares and was extremely inflated by the National Grid activity, which accounted for 42 per cent of the market's total business.

Top performers in the Footsie were London Electricity, reflecting hopes that its link with Thames Water will provide big cost savings, and Royal Bank of Scotland, which attracted revived takeover speculation.





Indices and ratios

FT-SE 100	3652.1	+22.1
FT-SE Mid 250	3936.8	+3.7
FT-SE-A 350	1807.9	+9.0
FT-SE-A All-Share	1781.53	+6.15
FT-SE-A All-Share yield	3.83	(3.83)
FT Ordinary index	2644.1	+14.0
FT-SE-A Non Fins p/e	16.43	(16.49)
FT-SE100 Fut Dec	3657.0	+28.0
10 yr Gilt yield	7.45	(7.46)
Long gilt/equity yld ratio:	2.03	(2.02)

Best performing sectors

1 Retailers, Food .... +2.1
2 Tobacco .... +1.7
3 Distributors .... +1.7
4 Spirits, Wines & Cids. .... +1.4
5 Chemicals .... +1.3

Worst performing sectors

1 Other Servs.& Business .... -0.8
2 Diversified Indls. .... -0.7
3 Textiles & Apparel .... -0.7
4 Paper, Pckg. & Print .... -0.7
5 Property .... -0.5

Steel's mettle tested

A profits warning from big French steel producer Usinor, plus a significant portfolio reduction by a leading fund group, sent British Steel crashing to the bottom of the Footsie rankings in heavy volume.

Sentiment was also hit by rumours that a top broker had changed its stance on the shares with a move from hold to sell. BS, which has come down from a peak of 191p since September, finished 5½ off at 161½p in 13m traded.

Usinor warned that second-half profits were going to be lower, but it was the group's uncompromisingly bleak view of European steel prices that mostly unsettled BS investors.

Mercury Asset Management announced that it had reduced its shareholding in BS by almost a percentage point. It retains a 15 per cent equity stake. There were fears yesterday that the fund management group could be planning further disposals.

Grid debut

First day of trading in National Grid may have seen 424m shares changing hands. But it was more of a short circuit than an electrical storm.

Voltage was turned down by an announcement at the start of trading that North West Water and Scottish Power were selling 181m National Grid shares through a global book-building. North West was liquidating 100m shares acquired through its takeover of Norweb, and Scottish disposing of 81m shares obtained after it bought Manweb.

Index tracking funds keen to build a weighting into the new Footsie stock preferred the comparative calm of a book-building auction to scrambling around in the market for stock.

Dealers said the sale, handled by Kleinwort Benson and UBS, was 12 per cent oversubscribed at the strike price of 208p a share. And as the Seaq dealing screens counted the volume of both the buyer and the seller, the sale made up 362m shares of the day's total.

With 1.69bn shares in issue, the turnover (excluding the North West and Scottish sale) of 57m shares was less than impressive, according to one analyst. Almost half of that was done in one trade. Some dealers said the 25m-share block represented a stake sale by Southern, but there were also suggestions that one broker had sold short in anticipation of National Grid shares slipping back.

In price terms, expectations of a 220p-a-share National Grid debut proved misplaced. The stock, which had already traded on the grey market for some time, opened at 209p and barely moved throughout the day before closing at 209¼p.

Bank bid talk

Bid talk shifted back to the banks sector as Royal Bank of Scotland climbed 17 to 584p and Abbey National 12 to 638p.

Speculation hinged on HSBC improving its UK high street presence by making a move on one of the two banks. While Abbey offers the prospect of a broad geographical base, RBoS appeared the most likely candidate. Analysts pointed to the latter's lower prospective price/earnings ratio and greater synergy with Midland, HSBC's current outlet.

Consensus forecasts for a take-out bid are around 700p a share, although bullish analysts argued that, to be comparable with Lloyds' acquisition of TSB, an offer would need to be nearer to 800p a share. HSBC put on 3¼ at 999½p.

Profit-taking continued to dent British Aerospace, which has had a strong run recently, partly on the back of hopes for a flotation of the Orange mobile phone system, in which BAe is a big stakeholder. Down 7 on Friday, the shares dipped a further 16 to 777p.

Talk linking P&O with struggling engineering and construction conglomerate Trafalgar House depressed the transport group's shares. They closed 11 lower at 464p.

Weekend press comment helped to revive speculation that P&O was about to buy Trafalgar's cruise business, if not put in a bid for the group as a whole. Most analysts felt the rumours needed to be taken with a pinch, or even a fistful, of salt.

Trafalgar, which announces annual results on Friday, lost 2¼ at 27p in 5.2m volume.

"There has been a bit of P&O stock on offer lately. Recent institutional disenchantment with the shares has been quite significant," said one leading sector watcher. The shares stood at 637p earlier this year.

The stores sector moved ahead on a combination of hopes of interest rate cuts and some suggestions that sales during the Christmas period are likely to be better than originally anticipated.

Boots was among the day's big gainers. The shares put on 7 to 589p, while Sears firmed 2¼ to 99p. Strong demand for new Footsie constituent Argos created a squeeze in the stock, which ended 17 ahead at 596p.

Last week's announcement of boardroom changes at Great Universal Stores continued to boost the stock, up 13 at a new high of 678p.

Seasonal demand and interest rate hopes also spread to food retailers, with the sharpest gain registered in Tesco, ahead 10 at 289p. Asda, which reports interim figures on Thursday, hardened 2¼ to 105¼p. Argyll rose 7 to 316p.

Guinness was in demand after it was said that NatWest Securities was recommending the stock. The shares added 9¼ at 461p in trade of 5.4m. With the Christmas period favourable for drinks producers, there were buyers of several of the best known stocks in the sector. Allied Domecq moved up 5¼ to 501p and Grand Metropolitan also 5½ to 450p. Bass gained 5 at 720p on 5m dealt and Scottish & Newcastle was 7½ ahead at 603p. Greene King, which reported a 13 per cent increase in interim profits to £11m, was 4 up at 633p.

The market was relieved that figures from tour operator Airtours, published yesterday, had included "no funnies", as one observer put it.

The shares responded by jumping 22 to 358p. Analysts were particularly disappointed by the retreat in UK figures. However, they were heartened by the progress of the Scandinavian side of the business.

Several brokers indicated they would be upgrading current year profits expectations by around £10m to about £80m.

London Electricity moved forward 29¼ to 698p, on the ex-National Grid basis, on talk that the company is poised to form a cost-saving alliance with Thames Water.

International trader Inchcape, which has fallen from 350p since early August on dividend worries and loss of Footsie status, rebounded 16½ to 223p and headed the FT-SE Mid 250 rankings. The shares added

Media group WPP improved 5 to 151p, with turnover of 14m shares helped by a number of agency crosses. Panmure Gordon, the broker, has been organising a company visit to Scottish institutions.

Healthcare group Shield Diagnostics leapt 45 to 168p after a tip in one Sunday newspaper. British Mohair, the textile group, plummeted 39 to 134p after warning that profits for the second half of the year would fall below analysts' expectations.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Dec 11	Dec 8	Dec 7	Dec 6	Dec 5	Yr ago	*High	*Low
Ordinary Share	2644.1	2630.1	2635.0	2648.4	2651.1	2265.7	2678.1	2238.3
Ord. div. yield	4.06	4.08	4.07	4.05	4.06	4.81	4.73	4.02
P/E ratio net	15.86	15.76	15.79	15.89	15.89	17.09	21.33	15.35
P/E ratio nil	15.68	15.59	15.62	15.72	15.72	16.67	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2630.6	2632.8	2639.1	2641.6	2643.8	2645.8	2641.5	2637.8	2641.6	2645.8	2630.5

	Dec 11	Dec 8	Dec 7	Dec 6	Dec 5	Yr ago
SEAQ bargains	31,018	28,040	26,780	27,908	31,088	19,913
Equity turnover (£m)†	-	1564.8	1744.0	1813.1	2784.7	1395.4
Equity bargains†	-	31,065	32,689	34,536	38,432	27,306
Shares traded (m)†	-	575.2	690.0	657.3	784.4	577.7

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	588	Total Highs	122	Total contracts	20,663
Total Falls	651	Total Lows	48	Calls	12,844
Same	1,620			Puts	7,819

Dec. 11 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3637.0	3657.0	+23.0	3660.0	3636.0	14208	48594
Mar	3659.0	3680.0	+22.5	3683.0	3659.0	10475	32300
Jun		3684.0	+23.0			0	1116

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3935.0	-			0	475
Mar		3965.0	-			0	3183

■ FT-SE 100 INDEX OPTION (LIFFE) (*3652) £10 per full index point

	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P
Dec	159	1	109	1½	61	3½	22	15	4	53	1	103	1	153	1	203
Jan	175	13½	133	21	95½	33½	63½	52	38½	78	20½	113½	10	158	4	208
Feb	196½	22	157½	33	120½	47	90½	67	65	93	43½	125	29	163	18	208
Mar	214	37½	175½	49½	142½	65½	110½	85½	86	111	80½	138½	43½	173½	28	214½
Jun†	252	78½			187	110½			133½	156			88	212½		

Calls 3,648 Puts 4,752

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P
Dec	182	1	132	1	82½	1	37½	5½	9½	27½	1½	69	1	118	1	168
Jan	197	10	154	15½	114	25½	78	40½	50½	61½	29½	90	15½	125½	7	167
Feb	214½	15	173½	23½	136½	35½	103½	52½	76	74	53½	101	36	133	23½	169½
Mar	231	30	182½	40	155½	52½	122	68	97	92	70	114½	52	145½	37	179½
Jun†			239	80			179½	113½			117	196½			76½	212½

Calls 4,264 Puts 772 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	24.5	99	98	Abtrust High Inc.C	98		–	–	–	–
–	F.P.	2.13	10	9	†Arlon Props	9		v–	–	–	–
306	F.P.	48.9	303	285	BZW Eqs Bermuda	301	+7	v–	–	–	–
–	F.P.	81.8	104	101	Benfield & Rea	103		–	–	–	–
280	F.P.	215.1	347	298	CMG	337		Rv4.8	1.2	1.8	17.4
–	F.P.	26.0	29	26	Cash Converters	26		Mv2.6	5.1	12.5	19.4
150	F.P.	72.1	160	150	Cortworth	151	+1	Rv5.8	2.1	4.8	12.4
–	F.P.	54.1	110	108	Cox Insurance	110		–	–	–	–
–	F.P.	13.2	448	448	East Surrey NV	448		–	–	–	–
100	F.P.	51.0	102	98	Finsbury Tech	102	+2	–	–	–	–
–	F.P.	14.6	146	125	Gardner (L)	130	-8	–	–	–	–
200	F.P.	21.9	203	203	Gearhouse	203		Lv4.4	3.5	2.7	13.3
–	F.P.	3.67	116	88	Jasmin	90	-5	–	–	–	–
–	F.P.	2.00	80	70	London Town	80		–	–	–	–
–	F.P.	32.8	96½	93½	Martin Currie Jp	96½	+½	–	–	–	–
–	F.P.	2.24	34	29	Do Warrants	33		–	–	–	–
204	F.P.	3,542.8	211	207½	National Grid	209½	+½	Wv11.23	2.3	6.7	8.4
200	F.P.	78.7	280	200	Peptide Th'peutics	232	-2	–	–	–	–
–	F.P.	86.8	358	345	†Pet City	357	+2	–	–	–	–
–	F.P.	1.07	105	100	†Revelation P'dilly.	100		–	–	–	–
–	F.P.	173.1	45	38	†Trocadero	41	-2	–	–	–	–
–	F.P.	164.2	280	263	Vero Group	271		RWv5.1	1.8	2.4	29.9
–	F.P.	45.0	63	55	Wilmington	63	+1	v–	–	–	29.6

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 8	% chg on day	Dec 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1969.82	+0.9	1951.92	1963.66	1.80	–	2063.66	1637.91
■ Regional Indices								
Africa (16)	2537.93	+1.6	2497.21	2989.09	3.92	22.71	3191.21	2272.74
Australasia (6)	2388.47	-0.3	2395.99	2313.83	2.06	37.41	2607.57	1788.20
North America (12)	1753.42	+0.8	1738.74	1460.51	0.77	50.41	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Dec 11	Day's chge%	Dec 8	Dec 7	Dec 6	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3652.1	+0.8	3630.0	3639.5	3662.8	2943.4	3.95	2.09	15.11	143.36	1455.88
FT-SE Mid 250	3936.9	+0.1	3933.2	3953.8	3959.9	3372.4	3.58	1.83	16.10	181.70	1557.25
FT-SE Mid 250 ex Inv Trusts	3944.9	.....	3943.2	3965.8	3973.1	3370.7	3.73	1.89	17.74	193.94	1562.96
FT-SE-A 350	1807.8	+0.5	1798.9	1804.7	1814.3	1477.0	3.87	2.04	15.82	73.60	1476.46
FT-SE-A 350 Higher Yield	1802.8	+0.5	1794.0	1800.7	1809.0	1485.2	4.80	1.84	13.83	84.84	1224.94
FT-SE-A 350 Lower Yield	1817.8	+0.5	1808.6	1813.4	1824.4	1431.2	2.80	2.40	18.59	51.06	1238.06
FT-SE SmallCap	1937.97	.....	1938.64	1940.28	1950.89	1732.76	3.33	1.70	22.10	60.57	1565.53
FT-SE SmallCap ex Inv Trusts	1913.57	-0.1	1915.42	1916.87	1929.80	1703.39	3.57	1.77	18.77	63.65	1554.21
FT-SE-A ALL-SHARE	1781.53	+0.5	1773.38	1778.74	1789.24	1465.19	3.83	2.02	16.15	71.28	1478.34

■ FT-SE Actuaries All-Share

	Dec 11	Day's chge%	Dec 8	Dec 7	Dec 6	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3177.04	+0.7	3156.27	3179.38	3165.87	2582.45	3.69	2.02	16.80	116.72	1336.92
12 Extractive Industries(7)	4217.36	+0.8	4184.84	4236.21	4270.17	3655.95	3.51	2.51	14.20	144.17	1209.33
15 Oil, Integrated(3)	3222.74	+0.7	3201.51	3220.11	3195.57	2552.71	3.82	1.96	16.74	123.19	1390.22
18 Oil Exploration & Prod(13)	1952.69	+0.3	1946.77	1971.99	1982.49	1808.13	2.57	1.49	32.51	49.88	1159.05
20 GEN INDUSTRIALS(277)	1915.21	-0.2	1919.12	1922.59	1821.26	1783.24	4.34	1.89	15.25	80.27	1027.29
21 Building & Construction(38)	1008.80	.....	1008.67	1010.52	1013.12	954.62	4.02	2.01	15.49	38.89	828.33
22 Building Matls & Merchs(31)	1743.56	+0.5	1751.90	1756.80	1772.14	1716.57	4.23	2.64	14.47	73.55	885.30
23 Chemicals(23)	2305.76	+1.3	2277.29	2330.49	2348.89	2207.69	4.26	1.67	15.72	94.71	1073.26
24 Diversified Industrials(20)	1727.88	+0.7	1740.71	1734.29	1730.50	1695.01	5.75	1.56	13.97	97.90	944.67
25 Electronic & Elect Equip(36)	2099.20	.....	2099.30	2100.24	2064.73	1766.74	3.59	1.99	17.48	62.44	1070.18
26 Engineering(68)	2147.83	+0.3	2154.14	2157.79	2153.88	1786.18	3.52	2.28	15.61	73.78	1285.23
27 Engineering, Vehicles(13)	2505.23	+0.2	2499.48	2454.42	2438.26	2163.33	3.75	1.16	28.64	93.58	1276.35
28 Paper, Pckg & Printing(27)	2447.74	-0.7	2464.35	2447.04	2457.67	2701.18	4.10	2.50	12.18	96.80	1002.72
29 Textiles & Apparel(21)	1429.04	-0.7	1438.78	1450.77	1459.35	1498.45	5.01	1.84	13.58	71.38	856.78
30 CONSUMER GOODS(89)	3584.25	+0.7	3558.38	3574.11	3604.58	2865.03	3.80	1.80	18.27	130.35	1298.82
31 Breweries(17)	2782.61	+0.9	2767.29	2774.44	2763.89	2130.10	3.72	1.92	17.53	89.57	1309.63
32 Spirits, Wines & Ciders(9)	2817.43	+1.4	2778.78	2778.48	2775.61	2602.78	4.31	1.77	16.43	125.07	987.10
33 Food Producers(24)	2554.84	+0.1	2551.90	2534.28	2548.35	2204.89	4.04	1.61	17.10	89.04	1132.00
34 Household Goods(11)	2558.78	-0.1	2561.41	2582.34	2589.61	2273.87	3.74	2.13	15.69	90.95	980.73
36 Health Care(17)	1943.83	+0.2	1939.90	1944.43	1941.28	1538.42	2.72	1.79	25.73	46.84	1166.94
37 Pharmaceuticals(10)	5053.02	+0.5	5026.17	5070.80	5157.75	3076.84	3.26	1.70	22.50	162.31	1667.88
38 Tobacco(1)	4726.75	+1.7	4646.28	4714.05	4773.34	3556.97	5.07	1.94	12.88	229.23	1143.54
40 SERVICES(227)	2208.38	+0.7	2192.50	2190.93	2209.55	1821.29	3.04	2.10	18.58	67.22	1131.36
41 Distributors(30)	2517.29	+1.7	2476.27	2487.56	2480.72	2503.43	4.00	1.77	17.69	100.38	815.75
42 Leisure & Hotels(30)	2624.37	+0.4	2613.98	2622.89	2641.72	2053.88	3.09	1.89	21.43	73.67	1344.28
43 Media(43)	3500.20	+0.3	3490.94	3496.98	3571.05	2751.98	2.04	2.38	25.71	79.81	1252.09
44 Retailers, Food(16)	1941.94	+2.1	1901.98	1909.99	1942.83	1666.41	3.74	2.39	13.99	72.35	1216.00
45 Retailers, General(44)	1912.85	+1.0	1894.84	1675.84	1671.27	1465.20	3.11	2.27	17.72	58.48	1078.29
48 Support Services(37)	1853.01	+0.2	1849.97	1942.77	1848.90	1454.01	2.50	2.52	19.86	42.58	1184.78
49 Transport(20)	2149.97	+0.1	2152.12	2162.82	2175.51	2139.05	4.06	1.30	23.58	88.39	882.61
51 Other Services & Business(7)	1096.85	+0.6	1105.57	1113.82	1118.27	1228.44	4.30	1.58	18.37	50.09	992.02
60 UTILITIES(36)	2424.34	+0.1	2420.88	2414.99	2447.81	2280.49	5.07	2.00	12.13	175.46	1023.80
62 Electricity(14)	2788.69	+0.2	2783.20	2786.28	2815.11	2387.38	4.90	2.62	9.75	394.34	1375.95
64 Gas Distribution(2)	1518.67	+0.8	1506.17	1522.29	1544.68	1996.55	7.89	1.04	15.23	116.62	782.09
66 Telecommunications(7)	1960.53	.....	1960.45	1942.84	1983.02	1895.14	4.31	1.74	16.66	58.90	875.16
68 Water(13)	2117.43	-0.1	2118.54	2120.06	2116.60	1644.87	5.59	2.64	8.47	106.36	1137.00
69 NON-FINANCIALS(652)	1874.82	+0.4	1866.87	1870.36	1880.94	1581.70	3.90	1.95	16.43	77.84	1399.37
70 FINANCIALS(113)	2894.00	+0.7	2875.07	2899.94	2915.00	2080.40	3.87	2.43	13.31	107.91	1210.20
71 Banks, Retail(9)	4124.50	+1.1	4080.32	4109.88	4138.59	2745.25	3.55	2.80	12.59	140.81	1300.87
72 Banks, Merchant(6)	3606.99	-0.1	3608.96	3612.80	3613.55	3080.62	2.58	2.41	20.09	104.97	1130.78
73 Insurance(25)	1422.92	+0.4	1416.84	1443.01	1455.87	1138.79	5.17	2.69	9.02	73.13	1042.52
74 Life Assurance(6)	3421.14	.....	3419.56	3479.66	3485.54	2278.20	4.08	1.53	20.02	136.72	1383.78
77 Other Financial(22)	2420.65	+0.1	2418.34	2420.53	2419.77	1823.88	3.70	1.85	18.26	71.46	1353.50
79 Property(45)	1391.28	-0.5	1398.74	1403.16	1400.05	1328.05	4.49	1.35	20.69	82.43	843.48
80 INVESTMENT TRUSTS(133)	3006.70	+0.3	2996.74	3000.74	2988.80	2643.40	2.24	1.04	53.37	62.32	1038.93
89 FT-SE-A ALL-SHARE(898)	1781.53	+0.5	1773.38	1778.74	1789.24	1465.18	3.83	2.02	16.15	71.28	1478.34
FT-SE-A Fledgling	1106.13	+0.1	1105.28	1104.62	1102.59	-	2.88	1.26	34.47	38.41	1148.03
FT-SE-A Fledgling ex Inv Trusts	1107.10	-0.1	1108.23	1107.54	1106.37	-	3.00	1.31	31.48	38.61	1149.37

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3633.1	3634.2	3644.4	3649.7	3650.4	3653.5	3648.6	3643.4	3652.1	3654.2	3633.1
FT-SE Mid 250	3931.9	3933.2	3935.6	3937.7	3938.5	3939.8	3938.7	3935.4	3936.3	3939.8	3931.9
FT-SE-A 350	1800.0	1800.5	1804.8	1806.6	1807.4	1808.7	1806.7	1804.3	1807.6	1809.0	1800.0

Time of FT-SE 100 Day's high: 1.11pm Day's low: 8.30am. FT-SE 100 1995 High: 3680.4 (1/12) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	999.6	1000.2	1000.2	1000.6	1000.6	1000.8	1000.8	1000.8	1000.8	1000.8	999.6	+1.2
Pharmaceuticls	4970.5	4999.4	4982.1	4985.1	4994.9	4996.6	4985.3	4974.0	4991.0	4991.6	4964.8	+27.0
Water	2110.1	2110.1	2109.8	2110.6	2112.6	2113.6	2113.2	2114.2	2113.0	2113.3	2114.2	-0.8
Banks, Retail	4145.4	4145.4	4158.1	4172.1	4169.3	4171.2	4166.0	4163.0	4171.8	4177.1	4132.4	+44.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries All-Share Index [illegible] DELETION: Inchcape (FT-SE 100), Howden (FT-SE Mid 250), INSERT: National Grid (FT-SE 100) & (65). Inchcape (FT-SE Mid 250), Howden (FT-SE SmallCap).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	735	421	
ASDA Group†	11,000	105½	+2½
Abbey National†	2,700	638	+12
Albert Fisher	213	47½	
Allied Domecq†	2,000	501	[illegible]
Anglian Water	247	[illegible]	[illegible]
Argos	589	596	+17
Argyll Group†	2,500	316	+11
Arjo Wiggins†	1,400	162	
Assoc. Brit. Foods†	136	729	-5
Assoc. Brit. Ports	254	291	-2
BAA†	2,100	482	+2
BAT Inds.†	6,600	558	+8½
BET	1,900	122½	+2½
BICC	108	272	-1
BOC†	530	908	+16
BP†	6,600	525½	+1½
BPB Inds.	513	291	-2½
BSkyB†	1,300	419	+½
BT†	10,000	348	-1
BTR†	7,200	320	-1½
Bank of Scotland†	1,900	274	+2
Barclays†	2,300	777	+9
Bass†	5,800	720	+5
Blue Circle†	1,800	327	-3
Booker	163	337	-4
Boots†	1,400	589	+7
Britannic	129	721	-1
Brit. Aerospace†	2,200	777	-16
British Airways†	1,300	471	+8
British Gas†	3,800	228½	+2
British Land	274	374	
British Steel†	13,000	161½	-5½
Bunzl	1,500	190½	+½
Burmah Castrol†	615	943	+11
Burton	2,800	130	-1
Cable & Wire†	1,800	441	-2
Cadbury Schweppes†	1,700	551	+5½
Caradon	367	179	-6
Carlton Comms.†	371	984	+1½
Coats Viyella	4,400	171	-2
Comm. Union†	817	632	+1
Compass	1,400	445	-2
Cookson†	707	307	-6
Courtaulds†	446	388	+8
Dalgety	44	377	-6
De La Rue†	4,200	869	-16
Dixons	2,800	409	-1
East Midland Elect.	611	729	+28½
Electrocomps	254	355	+5
Eng China Clays	172	290	+8
Enterprise Oil†	841	356	-2
Eurotunnel Units	924	90	
FKI	363	165	
Foreign & Col. I.T.	1,200	161½	
Forte†	9,300	337½	-1
Gen. Accident†	511	651	+1
General Elect.†	4,400	315	+1
Glaxo Wellcome†	2,300	892	+8½
Glynwed	1,000	308	+1½
Granada†	799	636	+2
Grand Met.†	3,500	450	+5½
GUS†	3,900	678	+13
GRE	660	266	-2
GKN†	1,000	803	+4
Guinness†	5,700	461	+9½
HSBC (75p shs)†	1,700	999½	+3½
Hammerson	6	341	
Hanson†	7,700	187	+1
Harrisons Crosfield	206	143	-1
Hays	626	362	-1
Hillsdown	1,000	152	
IMI	141	307	+1
ICI†	716	750	+8
Inchcape	5,100	223	+16½
Johnson Matthey	473	541	-2½
Kingfisher†	2,500	508	-1
Kwik Save	195	557	+3
Ladbroke†	2,800	155	-1
Land Securities†	492	607	+3
Laporte	599	639	+29
Legal & General†	1,200	665	+2½
Lloyds Abbey	317	449	-4
Lloyds Bank†	4,100	864	+13½
LASMO†	1,400	167	+2
London Elect.†	476	698	+29¼
Lonrho	361	175½	-½
Lucas	1,200	178	+1
MEPC	549	378	-2¼
MFI	3,300	154	+1
Marks & Spencer†	4,400	444	+5
Mercury Asset Man	79	869	
Midlands Elect.†	240	785	+17¼
Morrison (Wm.)	129	136	-2
NFC	2,800	134	-2
NatWest Bank†	2,500	665	+9
National Grid†	424,000	209½	+½
National Power†	1,900	455	-4
Next	359	445	+1
North West Water†	393	569	+1
Northern Elect.	1,500	583	-1¼
Northern Foods	426	170	-2
Pearson†	310	660	+5
P & O†	2,700	464	-11
Pilkington	1,200	195	+4
PowerGen†	2,300	524	-1
Prudential†	2,600	430	
REXAM†	9,500	328	
RMC†	170	968	-8
RTZ†	1,500	942	+8
Racal	886	277	+1
Rank Org.†	620	416	+1
Reckitt & Colman†	1,100	658	-1
Redland†	444	379	-1
Reed Intl.†	847	968	+10
Rentokil†	1,300	331	+1
Reuters†	1,700	600	-4
Rolls Royce†	7,200	177	+2½
Ryl Bk Scotland†	1,300	584	+17
Royal Insurance†	888	381	+2
Sainsbury†	2,300	377	+5
Schroders†	26	1335	+2
Scottish & New.†	371	603	+7½
Scot. Hydro-Elect.	533	358½	+1½
Scottish Power†	3,100	367	-2
Sears†	4,500	99	+2½
Sedgwick	390	118	
Seaboard	672	520	+6½
Severn Trent†	614	669	+1
Shell Transport†	2,700	834	+8½
Siebe†	1,600	774	+8
Slough Ests	519	209	
Smith (W.H.)	340	422	+5
Smith & Nephew†	256	161½	+¼
SmKl Beecham†	989	697	+8½
SmKl Beecham Uts.†	149	690	+4½
Smiths Inds.	1,100	620	+4
Southern Elect.†	369	933	
South Wales Elect.	375	937	+6½
South West Water	1,700	489	-¼
Southern Water	32	683	
Standard Chartd.†	2,100	565	+4
Storehouse	795	345	+8
Sun Alliance†	1,900	382	+6
T&N	2,700	168	+8
TI Group†	592	435	
TSB†	2,800	412	+6
Tarmac	1,400	94	
Tate & Lyle†	537	460	+8
Taylor Woodrow	78	118	
TeleWest	2,800	163	-1
Tesco†	4,200	289	+10
Thames Water†	638	565	+8
Thorn EMI†	1,500	1613	+18
Tomkins†	4,800	282	
Trafalgar House	5,200	27	-2½
Unigate	180	410	-3
Unilever†	731	1337	+8
United Biscuits	1,400	254	
Utd. News & Media	287	539	+8
Vodafone†	12,000	229	+4
WPP	13,000	151	+5
Welsh Water	777	735	+7
Wessex Water	320	334	+1
Whitbread†	667	663	+12
Williams Hldgs.†	529	322	-3
Willis Corroon	143	137	+1
Wimpey	66	130	
Wolseley†	119	435	+1¼
Yorkshire Elect.	166	968	+11¼
Yorkshire Water	468	612	-3
Zeneca†	797	1291	+2½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

هكذا من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 11 / Sch)

BELGIUM/LUXEMBOURG (Dec 11 / Frs.)

CZECH REP (Dec 11 / Koruna)

DENMARK (Dec 11 / Kr)

FINLAND (Dec 11 / Mkk)

FRANCE (Dec 11 / Frs.)

GERMANY (Dec 11 / Dm.)

GREECE (Dec 11 / Drachma)

ITALY (Dec 11 / Lire)

NETHERLANDS (Dec 11 / Fls.)

NORWAY (Dec 11 / Kroner)

POLAND (Dec 11 / Zloty)

PORTUGAL (Dec 11 / Escudo)

SPAIN (Dec 11 / Pta.)

SWEDEN (Dec 11 / Kronor)

SWITZERLAND (Dec 11 / Frs.)

TURKEY (Dec 11 / TK Lira)

PACIFIC

JAPAN (Dec 11 / Yen)

HONG KONG (Dec 11 / H.K.$)

INDONESIA (Dec 11 / Rupiah)

MALAYSIA (Dec 11 / MYR)

NEW ZEALAND (Dec 11 / NZ $)

SINGAPORE (Dec 11 / S$)

AUSTRALIA (Dec 11 / Aust$)

SOUTH KOREA (Dec 11 / Won)

TAIWAN (Dec 11 / TW $)

THAILAND (Dec 8 / Baht)

AFRICA

SOUTH AFRICA (Dec 11 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 11 / Can $)
4 pm close

MONTREAL (Dec 11 / Can $)
4 pm close

INDICES

	Dec 11	Dec 8	Dec 7	1995 High		1995 Low	
Hong Kong Hang Seng(31/7/64)	9635.17	9863.61	9853.96	10052.83	17/10	[illegible]	23/1
India BSE Sens.(1979)	3044.23	3063.32	3132.19	3682.99	2/1	2822.16	28/11
Indonesia Jakarta Comp.(10/8/82)	500.00	506.12	502.62	519.18	11/8	414.21	19/4
Ireland ISEQ Overall(4/1/88)	2233.22	2250.49	2260.71	2260.71	7/12	1813.59	23/1
Italy Banca Comm Ital(1972)	584.12	(c)	559.21	669.54	10/2	547.78	5/12
MIB General(2/1/95)	890.0	(c)	883.0	1078.00	10/2	869.86	5/12
Japan Nikkei 225(16/5/49)	19226.78	19286.97	19412.32	19984.04	4/1	14485.41	3/7
Nikkei 300(1/10/82)	286.26	287.35	289.22	289.22	7/12	222.26	13/6
Taiwan Weighted Pr.~(30/6/66)	4859.13	4838.04	4748.64	7051.49	5/1	4503.37	14/8
Thailand Bangkok SET(30/4/75)	(c)	1282.64	1289.55	1472.04	10/7	1135.89	16/3
Turkey Istanbul Comp.(Jan 1986)	39963.2	41848.4	41336.9	54653.90	21/4	24644.34	22/1
WORLD MS Capital Intl$(1/1/70)	727.9*	726.3	726.3	728.30	7/12	596.21	23/1
CROSS-BORDER Eurotrack 100(28/10/90)	1468.23	1467.57	1462.47	1480.89	15/9	1222.41	13/3
Euro Top-100(26/6/90)	1321.61	1314.90	1312.35	1318.88	15/9	1117.34	9/3
JCapelDrgns(31/12/88)	(u)	334.47	335.54	349.47	14/7	282.87	23/1
Barings Emerg.(7/1/92)	(u)	144.55	145.29	159.07	2/1	117.16	10/3

US INDICES

■ RATIOS

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ S&P 500

INDEX FUTURES

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1858.0	1859.0	-6.0	1862.0	1842.5	9,057	41,179
Jan	1857.0	1867.5	-6.0	1869.5	1851.0	118	4,509
■ DAX							
Dec	2277.0	2280.0	+2.0	2281.5	2272.0	13,650	92,994
Mar	2298.0	2301.5	+3.0	2303.0	2293.5	7,010	29,130

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1356.00	1357.50	+3.00	1362.00	1355.00	3,906	14,331
Jan	1371.50	1367.00	-	1372.00	1366.50	1,910	606
■ SOFFEX							
Dec	3245.0	3262.0	+17.9	3263.9	3245.0	4,937	13,228
Jan	3250.0	3271.0	+4.00	3270.0	3250.0	1,877	4,483

~ Sat Dec 9 : Taiwan Weighted Price 4894.92 ; Korea Comp Ex 902.87. Base values of all Indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Dec 11 – 2280.30 +2.80.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.)

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■ TOKYO – MOST ACTIVE STOCKS: Monday, December 11, 1995

	Stocks Traded	Closing Prices	Change on day
Toho Zinc Co	14.0m	782	+39
Toshiba Corp	10.4m	800	-5
Pacific Metals	10.1m	685	+49
Nippon Koshuha Stl	7.0m	565	+22
Mitsubishi Hvy	6.2m	836	-11
Tokyo Gas	5.7m	352	-1
Asahi Optical	4.4m	494	+43
Sankyo Seiki Mfg	4.2m	977	+24
Nippon Stl Corp	4.1m	354	-4
Hyogo Bank	3.5m	1	

4 pm close December 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
18	12⅛	AAR	0.48	2.6	25	40	18⅝	18⅜	18⅜	+⅛
46¼	35	AMP	0.92	2.3	20	7864	40	39½	40	+⅛
80¼	53⅜	AMR			18	5711	77⅞	76	77½	+1½
47⅞	36⅜	ASA	1.71	4.3	28	884	40¼	39⅛	39½	-⅜
44¾	30¾	AbbtL	0.64	2.0	20	11047	42	41⅜	41⅜	
16⅞	12	Abitibi Pr x	0.40	2.8	7	3490	14⅞	14⅛	14¼	-⅜
28½	21	ABM Ind	0.50	2.2	15	21	27⅜	27⅝	27¾	
17½	13⅛	Acptncein			10	290	15	14¾	15	
40	31⅞	ACE Ltd	0.56	1.4	0	203	39	38½	38⅝	+¼
9⅞	8¾	ACM Gvt In x	0.80	9.5	8	430	9⅝	8½	8⅛	-⅛
7⅜	6½	ACM GvOpp x	0.66	8.8		120	7½	7¼	7½	+¼
7½	5¾	ACM Gvt Sp x	0.75	10.9		207	6⅞	6¾	6⅞	+⅛
8¾	7¼	ACM Gvt Se x	0.90	10.6		634	8⅝	8½	8½	-¼
9½	7⅝	ACM Man x	0.90	10.3		19	8⅞	8¾	8¾	-⅛
29¼	10¼	AcmeClv	0.48	2.3	37	408	21¼	20¾	21	-⅝
38¾	7⅛	Acme Elect			66	143	8¾	8	8	-⅜
34½	23¼	Acordia x	0.72	2.6	15	7	28⅝	28½	28½	-⅛
16¾	10⅛	Acuson			35	451	11¾	11½	11½	-¼
19⅝	15⅜	Adams Expr	0.40	2.6	0	379	18½	18⅜	18⅜	
36⅞	27⅛	AdvMic			6	9261	19⅞	18¼	19¼	-⅝
8¾	5	Advest Grp	0.16	1.8	12	47	9⅛	8⅞	8⅞	-¼
27½	18½	Advo Inc	0.10	0.4	10	612	26⅜	26¼	26¼	-⅜
42⅝	24.80	Aegon	1.28	3.0	16	43	42⅜	41⅝	42⅝	+1⅜
5⅞	3⅜	Aerflx			8	273	4⅜	4⅛	4¼	+⅛
76¾	48¾	AetnaL	2.76	3.8	24	1297	72⅛	71⅝	71¾	
44¾	31⅞	Aflac	0.52	1.2	12	1717	42¾	41¾	42⅜	+⅛
29⅞	18	Ahmanson	0.88	3.3	6	3274	28⅝	28	26½	+¾

- B -

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
34⅜	29	BCE	2.72	8.1	16	1125	33¾	33¼	33½	
8⅞	6¼	BET ADR	0.27	3.7	6	81	7⅝	7⅜	7½	+⅝
5½	3⅞	Bairnco x	0.20	3.6	7	880	u5⅝	5⅛	5⅝	+½
17⅝	13¾	Baker Fent	0.40	2.4	140	195	17	16¾	16⅞	
23¾	18¾	BakerH	0.46	2.0	33	9997	22⅞	21⅞	22¾	+1⅛
28½	17¼	Baldor Elc x	0.36	1.7	19	58	21¾	21⅛	21½	-¼
30⅜	25⅞	BallCp x	0.60	2.1	255	682	28⅞	27⅞	28¼	-¾
18	10⅛	BhdMd	0.08	0.4	30	281	u18	17⅝	17⅞	
12⅞	6	Bally			37	3014	12⅛	12¼	12¼	
28⅛	22	BaltGE x	1.00	5.8	13	4341	27	26⅝	26⅞	+¼
40⅛	20⅛	BncOne	1.36	3.4	13	5655	u40⅛	39½	39¾	+⅛
33⅝	23½	BancoBil V	1.07	3.3	11	104	32⅝	32½	32⅝	
12¼	8¾	BCH x	0.36	3.7	7	104	10	9⅞	9⅞	-⅛
37⅛	24⅞	Bcrphhwm	1.09	3.0	14	153	35½	35⅛	35¼	-¼
65⅞	49	Bandag	0.80	1.5	13	140	52⅝	52⅛	52½	
68½	38½	BankAm	1.84	2.7	10	5853	67⅛	66½	67	+¼
64½	74	Bank Bost	5.56	8.8		290	82	82	82	-1
50⅛	25½	BkBstn	1.48	3.2	10	1429	47½	46⅝	46⅜	-⅞
47½	40¼	Bk Bostn P	3.04	6.5		4	47	46¾	46¾	-¼
49	28½	BankNY	1.44	3.1	10	2270	46¾	46¼	46¼	-¼
50	42	BankAm A	3.25	6.7		23	48½	48¼	48¼	
95⅜	71½	BankAm B	6.00	6.6		11	91	90¾	90¾	+¼
72	40¾	BnkTst	4.00	5.9	37	3035	67⅞	67¼	67⅝	+⅜
50¼	36	Bclays	1.54	3.2	9	26	47¾	47¼	47½	+½
31¼	25½	Bard (C R)	0.64	2.1	23	1591	30¾	30	30½	+½
45⅜	38¼	Barnes Grp x	1.60	4.3	9	165	37¾	37⅝	37¾	-⅜
62¼	38¾	BarnBk x	1.88	3.1	11	1366	60¾	60⅛	60⅛	-¾
27⅝	19¾	BrckGd x	0.12	0.4	34	7477	u27⅝	27⅛	27⅛	-⅛
23⅝	7⅜	Barry(RG)			37	920	20⅞	18¾	20⅞	+2¼
12¾	7⅝	BattlMt	0.05	0.6	124	2266	9	8¾	8¾	-¼
44½	30⅞	Bausch x	1.04	2.8	39	2015	37⅛	36⅛	37	+⅝
44¾	28¾	Baxter x	1.13	2.8	17	4103	41⅜	40¾	41	-¼
28¾	22¼	Bay St Gas	1.50	5.4	16	90	28⅛	27⅞	27⅞	-¼
22	10	Bd Tr 1838	1.64	7.6		83	21⅝	21⅝	21½	
8⅝	6⅞	BEA IncFd				318	8	7¾	7⅞	
8⅞	8½	Bea Strat	0.81	9.3		191	8¾	8⅝	8¾	
23⅞	15⅝	Bear Strns	0.60	2.8	10	3614	21¼	21	21¼	
44½	40¼	BearStPfA	2.75	6.2		2100	44⅝	44¾	44¾	
26⅜	18⅜	Bearings	0.56	2.2	16	470	26	25¼	25¾	+⅜
35⅞	28½	Beckman In	0.44	1.3	10	528	35⅛	34½	34⅞	-½
74	48	BectnD x	0.82	1.1	20	1250	u75⅛	72⅞	74¾	+1⅞

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

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AMEX COMPOSITE PRICES

4 pm close December 11

AMERICA

Dow boosted by increase in oil prices

Wall Street

Blue chip shares came back from losses made at the end of last week as debate continued as to whether the Federal Reserve would lower interest rates next week, *writes Lisa Bransten in New York.*

In early trading the Dow Jones Industrial Average was up 28.54 at 5,185.40. The Standard & Poor's 500 reversed nearly all of the losses made late last week, improving 2.65 to 620.13.

The Dow received a boost from rising oil prices which helped to lift Exxon and Chevron, two of the index's main components. Exxon added $2¼ at $84 and Chevron was $1½ stronger at $52⅞ as crude oil futures prices rose to a six-month high.

The American Stock Exchange composite index, however, slipped 0.03 to 535.52. Volume on the New York SE came to 192m shares.

The technology-laden Nasdaq composite, which stumbled earlier in the week and began to recover on Friday, edged up 0.37 to 1,062.78.

The Nasdaq strengthened in spite of a $⅞ loss made by Microsoft, the biggest company on that index, that brought its share price to $93⅞. Intel, the second biggest Nasdaq company, added $⅜ at $63⅞.

Internet shares were mixed. Netscape Communications, the internet software company, fell $5½ to $123⅜, spurred by a downgrading of its shares by a broking house, and by publicity surrounding Microsoft's internet strategy.

But Spyglass, which is Netscape's closest competitor and has a licensing agreement with Microsoft, added $1¼ at $99¼ to recover part of the $9¼ it lost last Wednesday and Thursday.

Elsewhere, Maybelline, the US cosmetics company, climbed $5¼ or 17 per cent to $36½ after L'Oréal, the French cosmetics group, said that it would buy the company for $660m or $36¾ per share.

Canada

Toronto was unable to maintain early gains and the TSE-300 composite index was 3.46 weaker by noon at 4,737.11 in volume of 38.7m shares.

Alberta Energy gave up C$1¼ to C$21⅞ and Conwest Exploration receded C$¼ to C$27¼ after Sunday's announcement that they had agreed to merge in an effort to create a dominant force in Canadian oil and gas exploration and production.

Diamond Fields Resources moved foward C$⅞ to C$26½ in brisk trade after the company impressed analysts on Friday with the latest results for the Eastern Deeps area of its Voisey Bay base metal property.

TVI Pacific, heavily traded in recent sessions, firmed 3 cents to C$2.20 after the company said that it had finalised financing for the first phase development of its Canatuan base and precious metals project in the Philippines.

Istar Internet dropped C$1¼ to C$12⅞, following its US counterparts lower after Microsoft said that it would refocus attention on the Internet.

Mexico weakens 1%

Mexico City fell during the late morning on fears of a rise in domestic interest rates later in the day.

The IPC index was off 30.00 or 1.1 per cent to 2,625.39 by midsession. Volume was weak at 8.2m shares.

BUENOS AIRES retreated slightly as investors reacted to proposed amendments to the 1996 budget in congress at the weekend. The Merval index slipped 3.17 to 460.49 at noon.

Analysts commented that the legislators had agreed, in effect, to increase budget spending next year.

Traders said unwinding of positions ahead of this Friday's options expiry would also weigh on the market throughout the next few sessions.

SAO PAULO was in an uninspired mood as attention began to dwell on the settlement of futures and options tomorrow.

The Bovespa index was registering a decline of 216.83 at 42,776 by mid-afternoon.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+0.59	+4.09	-10.57	-11.39	-2.83	-5.13
Belgium	+0.42	+5.27	+10.32	+11.32	+21.89	+19.01
Denmark	+0.74	+4.10	+7.63	+4.38	+16.14	+13.39
Finland	-5.26	-5.62	+2.41	+2.12	+14.46	+11.76
France	+1.55	+0.91	-3.15	+0.05	+9.77	+7.17
Germany	+0.49	+4.37	+8.31	+5.27	+15.43	+12.69
Ireland	+0.89	+4.11	+24.94	+20.46	+26.20	+23.22
Italy	+1.09	-0.88	-5.58	-9.65	-5.51	-7.76
Netherlands	+0.87	+6.61	+16.59	+14.28	+25.33	+22.36
Norway	+0.15	+2.61	+3.47	+0.09	+8.90	+6.31
Spain	-0.36	+7.50	+5.13	+12.25	+22.57	+19.67
Sweden	-1.61	+1.62	+19.30	+19.86	+37.12	+33.87
Switzerland	-0.30	+3.94	+24.99	+23.07	+40.82	+37.48
UK	-1.31	+2.73	+19.25	+17.22	+17.22	+14.44
EUROPE	-0.26	+3.10	+12.22	+11.23	+18.39	+15.58
Australia	+1.29	+2.76	+18.39	+14.55	+11.41	+8.77
Hong Kong	-0.00	+4.65	+17.36	+15.86	+18.71	+15.90
Japan	+2.13	+7.51	+1.08	-1.12	-0.20	-2.56
Malaysia	+0.57	+10.14	+3.96	-1.12	+1.88	-0.53
New Zealand	-1.43	-4.13	+7.14	+8.54	+12.00	+9.35
Singapore	+1.78	+6.20	+4.85	+0.56	+6.12	+3.61
Canada	+1.61	+3.85	+16.52	+12.09	+17.22	+14.44
USA	+1.57	+3.97	+38.30	+34.30	+37.56	+34.30
Mexico	-1.79	+14.83	+7.91	+9.06	-29.06	-30.74
South Africa	+5.07	+4.03	+23.62	+3.56	+17.85	+15.05
WORLD INDEX	+1.21	+4.71	+17.09	+14.70	+18.51	+15.70

† Based on December 8 1995. © Copyright 1995 Financial Times Limited, Goldman, Sachs & Co, Standard & Poor's, All rights reserved.

EUROPE

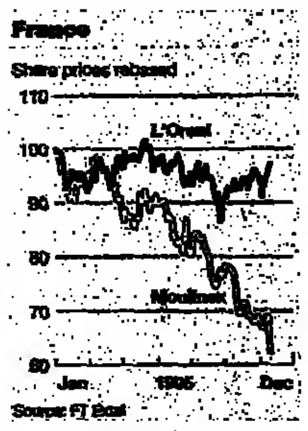
Moulinex slides, L'Oréal climbs in edgy Paris

A number of corporate stories in PARIS overrode the news that the government was to meet with trade union leaders; this move did not have as big an impact on sentiment as had been feared, and the CAC-40 index slipped just 6.74 to 1,849.59 in low turnover of FFr2.7bn.

Early in the day, fears were expressed that the government might be about to make concessions to its reforms of the social welfare system. However, as trading progressed the apprehension began to evaporate, although there was still an element of confusion about the tactics being adopted by Mr Alain Juppé, the prime minister.

Meanwhile, Moulinex, the household appliances group, slid FFr8.00 or 9.4 per cent to FFr77.50 as it reported that operating losses rose by more than 30 per cent over the first six months to September 30. This was attributed to the negative impact of exchange rates, the effect of strikes at some of its factories during the summer, higher raw material costs, increased spending on advertising, and the cost of launching new products.

Usinor Sacilor, the steel company, tumbled FFr5.20 or 7 per cent to FFr67.95 after indicating that second-half performance in 1995 would be worse than that seen in the first six months. There had been expectations in some quarters that the group would reveal full-year profits in the region of FFr5bn, following first-half profits of more than FFr2bn. The company indicated that it might also be affected by the strike hitting the state railway system, which was one of its leading customers.



Source: FT Extel

There was considerable interest in L'Oréal, which rose FFr12 to FFr1,275, after the cosmetics group announced that it was acquiring the US-based Maybelline group in a deal said to be worth $660m.

Analysts generally welcomed the move, which they saw as the latest phase in a global consolidation of the industry. They said that the French company, currently, had some 8 per cent of the US cosmetics market.

ZURICH was higher, but in quiet trade, and the SMI index picked up 15.0 to 3,261.6.

Elektrowatt jumped SFr18 to SFr390 as Mr Stephen Schmidheiny's private Unotec Holding confirmed that it might use the SFr690m proceeds of the sale of its stake in Landis & Gyr to buy shares in the electricity generator. L & G was steady at SFr940 as the bourse authorities said that they were looking into unusually heavy trading in the stock before Elektrowatt announced its SFr1.8bn takeover bid last week.

Winterthur moved up SFr10 to SFr825 and CS Holding, a major shareholder in Elektrowatt, was SFr1.25 higher at SFr116.25, still profiting from co-operation plans announced last week. Ciba registered rebounded SFr26 to SFr1,013, overcoming some of the sharp losses seen last week on news that it was curtailing trials of its Selfotel drug.

MILAN was led higher by further sharp gains in Olivetti and the Comit index picked up 4.91 to 564.12, while the real-time Mibtel index was 66 higher at 9,023.

Shares in Olivetti, 10 per cent higher on Thursday, were suspended limit up when they shot to L1,317 during the afternoon session. Subsequently, they closed L102 ahead at L1,300 in very heavy volume of 79.4m shares, with strong foreign demand said to have been spurred by the company's interest in the Omnitel mobile telephone consortium.

Fiat rose to a high of L5,030 on positive November sales figures but closed L42 up at L5,006 as the group ended months of speculation by announcing that Mr Gianni Agnelli, chairman for the last 30 years, was to step down and that Mr Cesare Romiti, managing director, would take over.

FRANKFURT picked up late with Wall Street, but it still closed with the Ibis-indicated Dax index only 2.69 firmer at 2,230.39 in turnover down from DM6.2bn to DM4.8bn.

The most noticeable features were negative. Two big IPO successes of recent months, in Adidas and Merck, were among the leading Ibis losers with falls of DM1.40 to DM75.30 and 95 pfgs to DM57.50, Merck after a DM2.78 drop on broker downgrades last Friday.

German retailers, lively at this time last week, were positive again about their weekend sales; but this week the market trimmed them back, Kaufhof losing DM3 at DM448 and Karstadt DM3.60 at DM590.90.

Mannesmann dropped DM5.45 to DM468.10. Its Mobilfunk subsidiary said that sales were up 55 per cent in 1995, but the shares had been relatively weak since Goldman Sachs, reasonably happy about telecoms but critical of the group's building materials trading, shock absorber and crane and excavator businesses, downgraded the stock late in November.

BRUSSELS was boosted by heavy Bel-20 basket buying, the key index ending 23.04 or 1.5 per cent higher at a new 1995 closing peak of 1,539.47 in turnover of around BFr2.1bn.

The least liquid Bel-20 stocks benefited the most, the utility holding company Tractebel climbing BFr775 or 6.7 per cent to BFr12,400, the steel cord and wire maker Bekaert by BFr700 to BFr24,350 and the shipping company CMB by BFr50 to BFr2,135.

HELSINKI saw Nokia A regain some of last week's losses, the stock rising FM11 or more than 5 per cent to FM221 as it followed last Friday's high-tech gains in New York. The Hex index rose 32.04 or 1.7 per cent to 1,880.17.

ISTANBUL was weighed down by a cash shortage and political uncertainty ahead of the December 24 elections, the composite index losing 1,893.13 or 4.5 per cent to 39,963.29 after a gain of 6.4 per cent last week.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Dec 11							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1499.89	1496.42	1497.39	1496.28	1496.33	1495.88	1497.32	1498.23
FT-SE Eurotrack 200	1571.22	1572.35	1572.80	1574.25	1574.32	1572.61	1574.71	1574.10

	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4
FT-SE Eurotrack 100	1467.57	1462.47	1464.48	1452.97	1446.02
FT-SE Eurotrack 200	1566.07	1565.72	1569.69	1560.55	1557.68

Base 1000 (26/10/90). Highday: 100 - 1499.94; 200 - 1575.56 Lowday: 100 - 1495.88 200 - 1571.12 † Partial

ASIA PACIFIC

Nikkei consolidates after last week's sharp rally

Tokyo

Lingering hopes of monetary easing in both the US and Germany underpinned investor sentiment, but the Nikkei average closed lower on profit-taking and technical selling, *writes Emiko Terazono in Tokyo.*

The 225 index lost 60.19 at 19,226.78 after moving between 19,162.02 and 19,377.94. Traders said some investors were becoming worried following the Nikkei's rally last week, which lifted the benchmark by 454 points, and that the market needed "cooling off".

Volume was 350m shares, against Friday's 1.06bn. Selling came from domestic institutions and dealers' liquidation of arbitrage positions; some foreign investors, and employees' stockholding groups investing year-end bonus money, were among buyers.

The Topix index of all first section stocks shed 3.68 to 1,523.66 and the Nikkei 300 gave up 1.09 to 286.26. Declines led rises by 539 to 514, with 166 issues unchanged.

In London the ISE/Nikkei 50 index edged up 0.37 to 1,318.65.

Some analysts feared that domestic institutions, especially banks and life insurance companies, would remain net sellers even if the index rose further. A recent survey by the Nihon Keizai Shimbun revealed that only Daiichi Life and Nippon Life were willing to buy domestic equities and foreign bonds, while other companies remained risk averse.

Nissan Motor fell Y14 to Y756, losing ground for the first time in five trading days, on fears of increased selling by institutions. Stories about mounting losses at the company's Mexican subsidiary also depressed investor confidence. Other carmakers were also lower.

A plunge in Kyocera, the leading manufacturer of ceramic packages for semiconductors, prompted selling of high-technology issues. The stock dropped Y360 to Y7,690 following last week's downgrade by Morgan Stanley (Japan). The decline of the stock, previously bought as a semiconductor related issue, sent Hitachi down Y10 to Y1,040 and NEC Y20 lower to Y1,320.

Toshiba eased Y5 to Y800 on selling by individual investors, although the stock, regarded as a core issue on the "digital video disc" (DVD) theme, was the second most actively traded issue of the day. The DVD is to be marketed next autumn, and hopes that it will be a hit consumer electronic product lifted other related stocks, with Tsugami, a machinery maker, ending Y58 up at Y613.

In Osaka, the OSE average rose 17.59 to 20,675.99 in volume of 198.2m shares.

Roundup

News that Foster's, the brewer, was planning to buy Mildara Blass, Australia's largest independent wine maker, brought more excitement to SYDNEY, where the All Ordinaries index gained 18.8 at 2,204.90 after reaching 2,208.50.

Turnover was A$393.6m in volume of 160.5m shares.

News of the acquisition triggered rises in both stocks, Foster's adding 6 cents at A$2.18, and Mildara A$1.50 or 23.6 per cent at A$7.85.

MANILA closed marginally weaker as investors shifted from index heavyweights to second line issues. The composite index slipped 4.79 to 2,496.04. Among the losers were Philippine National Bank and PLDT, while second liner stocks such as Metro Pacific and Filipino Telephone saw the best gains.

TAIPEI rose for the fourth straight session as investors continued to celebrate the recent parliamentary elections. The weighted index finished 73.21 or 1.5 per cent ahead at 4,958.13, off a high of 4,968.00. Turnover was active at T$49bn.

Textiles led the gains, rising by 2.7 per cent as a group, with Hualon up 70 cents to T$19.70. Heavily weighted financials supported the upward momentum with a 2 per cent gain. Brokers said that, since late last week, government funds had been buying equities, especially financials.

SINGAPORE saw further consolidation of blue chips and OTC shares, while second-liners and companies linked to Indonesian interests were the focus of retail-driven speculation. The Straits Times Industrial index softened 2.17 to 2,145.89. Guthrie was up 3 cents at 89.5 cents on takeover rumours, off a high of 92 cents.

HONG KONG edged lower in thin trade, newspaper stocks losing ground after the outbreak of a price war in the local Chinese language market. The Hang Seng index slipped 28.44 to 9,835.17 as turnover shrank to HK$2.4bn.

Among newspapers which cut their prices, Oriental Press fell 52 cents to HK$2.675 and Hong Kong Daily News was 15 cents lower at 98 cents.

KUALA LUMPUR saw further profit-taking, the composite index losing 2.18 at 974.78. Damansara Realty continued to surge in heavy volume, adding 18 cents at M$2.08, on the prospect of the state government raising its stake in the company. SEOUL was led sharply lower by Samsung Electronics, which went limit down on uncertain chip markets. The composite index fell 15.12 to 947.75 and Samsung Won9,500 to Won153,000.

BOMBAY was broadly lower as investors took profits after last week's rally, and the mood was also disturbed by fresh worries about Reliance as details of a messy 1992 share switch became known. The BSE-30 index lost 39.09 at 3,044.23 and Reliance fell Rs5.35 to Rs203.60.

In CALCUTTA, ITC, the tobacco, leisure and food conglomerate, dropped by Rs8 or 3.2 per cent to Rs246 as it named a new chairman, backed by Indian financial institutions, after a boardroom battle to oust the previous chairman. Brokers commented, however, that the appointment of Mr Y C Deveshwar, a former head of Air India, was likely to be positive for the company in the long run.

SHANGHAI's hard currency B shares fell to another low for the year, with investors unwilling to commit fresh funds to a declining market. The index shed 0.226 to 49.492. Worries over new listings left the A index down 18.767 or 2.8 per cent at 643.219.

S African golds move higher

Johannesburg was firm, with golds responding to expectations that the bullion price would break through the $390 level and industials edging up in cautious trade.

The overall index was up 33.5 to 6,244.1, industrials rose 11.9 to 7,882.2 and golds collected 29.7 at 1,400.5.

De Beers notched a R2.50 gain to finish at R115, while Anglos moved forward R4.50 to close at R234.50.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 8 1995								THURSDAY DECEMBER 7 1995					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	166.70	-1.0	161.22	119.49	140.55	168.59	-0.6	3.92	198.55	181.79	120.60	141.31	169.62	191.01	157.95	167.89
Austria (27)	173.37	-0.4	168.28	110.96	130.51	130.42	-0.0	1.58	174.14	167.89	111.38	130.51	130.42	199.28	167.48	178.45
Belgium (35)	200.45	-0.2	194.56	128.29	150.89	147.18	0.2	3.55	200.88	193.67	128.48	150.55	146.88	201.84	164.78	186.82
Brazil (28)	138.93	-0.4	134.85	88.92	104.58	247.10	-0.4	1.70	139.51	134.50	89.23	104.56	249.14	180.75	86.06	175.57
Canada (101)	148.09	0.0	143.73	94.77	111.47	147.32	0.5	2.52	148.10	142.79	94.73	111.00	146.83	150.83	121.81	128.36
Denmark (33)	285.53	-0.9	277.15	182.74	214.95	217.56	-0.6	1.50	288.25	277.90	184.36	216.03	218.81	295.99	238.61	240.58
Finland (25)	207.82	-2.0	201.72	133.01	156.44	189.89	-1.4	1.89	212.14	204.53	135.69	159.00	191.80	276.11	171.13	180.31
France (100)	175.28	0.3	170.13	112.18	131.95	136.98	0.6	3.20	174.74	168.47	111.76	130.98	136.23	191.17	157.79	166.40
Germany (59)	161.50	-0.4	156.76	103.36	121.57	121.57	0.0	1.96	162.16	156.36	103.73	121.55	121.55	167.74	136.39	138.83
Hong Kong (55)	378.90	-0.1	366.91	241.93	284.56	375.33	-0.1	3.89	378.22	364.66	241.91	283.47	375.57	388.39	277.40	321.98
Ireland (16)	254.11	-1.1	246.65	162.64	191.30	226.65	-0.5	3.37	257.05	247.83	164.41	192.66	227.38	260.87	195.34	197.22
Italy (59)	69.45	0.1	67.42	44.45	52.29	82.42	0.0	1.77	69.39	66.90	44.38	52.01	82.42	82.71	65.45	71.57
Japan (483)	152.92	-0.7	148.43	97.87	115.12	97.87	-0.6	0.78	153.97	148.45	98.48	115.40	98.48	164.82	136.96	152.47
Malaysia (108)	476.84	-0.8	462.84	305.19	358.97	466.15	-0.8	1.76	480.94	463.69	307.61	360.46	470.05	561.96	388.16	453.99
Mexico (18)	980.86	-1.1	952.06	627.76	738.38	8316.58	-0.5	1.67	991.97	956.38	634.47	743.45	8396.61	2043.18	847.81	2043.18
Netherland (19)	265.37	-0.1	257.59	169.84	199.78	196.30	0.2	3.33	265.71	256.18	169.95	199.15	195.63	266.70	207.60	208.84
New Zealand (14)	77.04	0.0	74.78	49.30	57.99	63.43	0.3	4.57	77.07	74.30	49.29	57.76	63.25	85.49	69.56	70.57
Norway (33)	226.63	-0.9	219.98	145.05	170.60	195.88	-0.5	2.14	228.78	220.57	146.33	171.46	196.84	243.79	198.73	203.00
Singapore (44)	386.50	-0.9	375.16	247.37	290.97	252.05	-0.8	1.61	390.01	376.03	249.46	292.31	254.01	414.26	313.94	365.18
South Africa (45)	387.40	-0.8	376.03	247.94	291.63	310.58	-0.7	3.84	390.55	376.54	249.80	292.70	312.86	390.55	261.06	322.87
Spain (38)	157.91	-0.5	153.28	101.07	118.89	147.71	0.0	3.96	158.77	153.07	101.55	118.99	147.71	180.51	124.10	140.27
Sweden (47)	309.38	-1.1	300.31	198.01	232.91	304.86	-0.6	1.97	312.74	301.53	200.03	234.40	306.60	321.99	225.60	229.50
Switzerland (49)	227.11	-0.3	220.44	145.35	170.98	164.94	-0.0	1.61	227.75	219.58	145.67	170.69	164.95	230.31	158.38	159.32
Thailand (46)	164.49	-0.5	159.67	105.28	123.83	160.59	-0.4	2.53	165.24	159.32	105.69	123.85	161.28	184.56	130.15	152.28
United Kingdom (208)	222.97	-1.0	216.42	142.70	167.85	216.42	-0.3	4.05	225.18	217.10	144.03	168.77	217.10	228.33	187.07	191.44
USA (639)	252.17	0.2	244.76	161.39	189.83	252.17	0.2	2.22	251.80	242.57	160.92	188.56	251.80	253.22	182.33	182.33
Americas (785)	229.69	0.2	222.94	147.00	172.91	193.11	0.2	2.22	229.22	221.00	146.61	171.79	192.86	230.69	170.86	170.86
Europe (737)	195.29	-0.5	189.56	124.99	147.02	157.53	-0.1	3.04	198.35	189.30	125.58	147.16	167.65	199.02	163.04	165.82
Nordic (138)	277.32	-1.2	269.19	177.49	208.76	236.19	-0.7	1.87	280.63	270.56	179.49	210.32	237.82	295.02	215.79	219.54
Pacific Basin (832)	162.76	-0.7	157.98	104.17	122.53	108.09	-0.6	1.21	163.65	157.97	104.80	122.80	108.73	171.87	145.93	159.62
Euro-Pacific (1569)	176.21	-0.6	171.03	112.77	132.65	130.84	-0.3	2.08	177.28	170.92	113.39	132.86	131.10	178.33	154.73	162.12
North America (740)	245.74	0.2	238.53	157.28	184.99	245.14	0.2	2.23	245.21	236.41	156.83	183.77	244.57	246.80	178.86	178.86
Europe Ex. UK (531)	175.95	-0.3	170.78	112.61	132.45	140.79	0.1	2.48	176.45	170.12	112.86	132.24	140.79	179.48	146.45	148.43
Pacific Ex. Japan (349)	258.13	-0.6	250.56	165.21	194.33	228.22	-0.4	3.24	259.63	250.32	166.06	194.59	228.24	265.72	211.19	231.54
World Ex. US (1761)	177.28	-0.8	172.07	113.46	133.45	134.47	-0.3	2.10	178.34	171.94	114.07	133.66	134.93	178.73	155.42	164.90
World Ex. UK (2194)	198.02	-0.2	192.20	126.73	149.07	163.58	-0.1	1.96	198.37	191.25	126.88	148.67	163.71	198.37	163.46	165.92
World Ex. Japan (1917)	227.00	-0.1	220.33	145.28	170.88	213.26	0.1	2.58	227.25	219.10	145.35	170.32	213.13	228.28	178.95	178.83
The World Index (2400)	200.25	-0.2	194.37	128.16	150.75	168.30	-0.1	2.15	200.75	193.55	128.40	150.46	168.47	200.75	165.92	169.08

CONSTITUENT CHANGE WITH EFFECT 12/12/95: Deletion. BTR Nylex (Australia). Latest prices were unavailable for this edition. Markets closed 8/12/95: Austria, Italy and Spain.